

City of Brighton, Michigan

**Report to the Members of the City Council
June 30, 2008**



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To the Members of the City Council
City of Brighton, Michigan

We have recently completed our audit of the basic financial statements of the City of Brighton, Michigan for the year ended June 30, 2008. In addition to our audit report, we are providing the following letter of required audit communication, recommendations, and informational comments which impact the City.

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We are grateful for the opportunity to be of service to the City of Brighton, Michigan. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

September 12, 2008



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Results of the Audit

September 12, 2008

To the Members of the City Council
City of Brighton, Michigan

We have audited the financial statements of the City of Brighton, Michigan for the year ended June 30, 2008 and have issued our report thereon dated September 12, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 14, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the City. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 5, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Brighton are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated September 12, 2008.

To the Members of the City Council
City of Brighton, Michigan

September 12, 2008

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the City, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the City's auditors.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in dark ink, appearing to read "Christopher Jones", written in a cursive style.

Christopher S. Jones

Other Recommendations

Financial Results/Plans

The City's General Fund fund balance decreased in the current year from approximately \$2,507,000 to \$1,879,000. This result, a decrease of approximately \$628,000, is better than expected as the final amended budget called for a decrease of approximately \$863,000. Over the years, the City has been able to absorb periodic deficits because of the fund balance accumulated over time through budgetary foresight and diligence. The City of Brighton continues to be in a position to withstand the very difficult financial climate that exists today. As we know you are well aware, the 2008-2009 fiscal year and beyond may be even more challenging, and we encourage the City to continue to closely monitor this year's budget as well as revenue forecasts for the 2009-2010 fiscal year.

Water and Sewer Rates

Despite raising customer rates and a decreased water loss, water and sewer operations did not charge an amount sufficient to cover operating costs, resulting in an operating loss of approximately \$620,000. The majority of this operating loss is caused by the depreciation expense, which the City does not fund with its user fees. We encourage the City to continue reviewing the current rate structure and make additional changes if necessary.

Informational

Property Tax Developments

The front page story several months ago is now old news. For many communities in Michigan, the challenging real estate market will negatively change the taxable value trends of recent years. Many communities saw modest declines in their 2008 taxable values, and if the downward trend in the housing market continues, the impact will be larger next year. How it will actually play out in each community and over what period of time remains to be seen. While each community will need to carefully determine the impact of the current environment on its budget, there are also several pieces of legislation in Lansing that will impact property taxes going forward. Examples include:

- House Bill 4215 (Public Act 96 of 2008) allows property owners to obtain two principal residence exemptions in certain situations. The bill was designed for situations where a homeowner has purchased a new home and is unable to sell the existing home. The dual exemption only applies if certain conditions are met (i.e., the property previously occupied is for sale, not occupied, not leased or available for lease, etc.).
- A series of bills were introduced in March 2007 as part of a package to stimulate home sales (House Bills 4440, 4441, and 4442). The lead bill of that package, House Bill 4440, establishes an 18-month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the timeframe of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years. House Bill 4440 actually passed the House in March 2007 and is currently in the Michigan Senate.
- Many property owners continue to struggle with the concept that their individual taxable values actually increased during a time that overall property values - and even their individual property values - have fallen. As we all have re-learned in recent months, that is a constitutional requirement that changed with Proposal A in 1994. It may be helpful to remember the principle behind Proposal A - its purpose was to disconnect taxable values from market value increases, and instead limit the growth in taxable values to the lesser of 5 percent or inflation, until that point that the property transfers ownership. Now that the market values are declining in many areas, Proposal A continues to stay disconnected, and allows the taxable value to increase by the lesser of 5 percent or inflation (up until the point that it reconnects with market values)

Fairly or not, this year, many property owners said it did not feel right when they saw their taxable value increase by inflation when market value did not. This has led to a discussion as to whether a third variable, called “change in market value,” needs to be added to the Proposal A formula. In what some are calling a “super cap,” the Proposal A formula to determine annual increases in taxable value (if property is not sold or transferred) would be the lesser of three components: inflation, change in market value, or 5 percent. Therefore, if the market value of the parcel was either flat or declining - even if the taxable value of the particular parcel was less than state equalized value - there would be NO annual increase. To date, a proposal to accomplish this change has not moved through the Legislature. A change of this nature would impact local government budgets.

- As part of the changes to the single business tax last year and the introduction of the Michigan business tax, changes were also made to the calculation of tax rates applicable to industrial and commercial personal property taxes. As advertised, industrial personal property taxpayers received a reduction of the school operating mills (up to 18 mills) and the 6 mill state education tax. Commercial personal property taxpayers received a reduction of up to 12 school operating mills. However, if your community has a school district with “hold harmless” school mills, you must add back any hold harmless millage prior to computing the total mills to be levied. This may generate questions from commercial and industrial taxpayers.
- A Michigan Supreme Court case has changed how local governments can treat public service improvements by developers. Leading up to the court case, as private property owners or developers installed public service improvements (i.e., such as street lights, water and sewer lines, etc.) there was normally an increase in their property tax assessment. The Michigan Supreme Court upheld a Court of Appeals ruling that the installation of public service improvements does not constitute a taxable addition.

Recent Revisions to State Transportation Funding Program

Current legislation modified Act 51 to allow local governments to transfer monies from their Major Street Fund to their Local Street Fund at a level of 50 percent of annual major street funding received. In addition, greater than 50 percent can be transferred. However, the amended law requires that certain conditions be met to allow for a transfer in excess of 50 percent including the adoption of an asset management process for the major and local street systems as well as a detailed resolution passed by the City. It is important to note that major street monies transferred for use on local streets cannot be used for construction but may be used for preservation. Current legislation also includes a pilot program that would allow for the combination of the Major Street Fund and the Local Street Fund if certain conditions are met.

Other Legislative Items

- As part of Michigan's new "Planning Enabling Act," many local governments will now be required to prepare an annual "capital improvements program." This new requirement is effective September 1, 2008. According to Public Act 33 of 2008, a planning commission, after the adoption of a master plan, shall annually prepare a capital improvements program of public structures and improvements. The law does allow that if the planning commission is exempted from this requirement, the legislative body shall adopt a capital improvements program or delegate this responsibility to the administration of the local unit for the ultimate approval by the legislative body. The law provides that the capital improvement program report public structures and improvements that, in the community's judgment, will be needed or desirable within the next six years. The law also requires that the public structures and improvements included in the capital improvements program be prioritized. Townships that do not either individually or jointly own or operate a water supply or sewage disposal system are exempt from this requirement. In general, Plante & Moran strongly encourages the development of a capital plan. While the law is restricted to "public structures and improvements," we strongly encourage the inclusion of all capital assets - vehicles, machinery and equipment, office furnishings, etc. In addition, we feel the participation of the governing body (in addition to or instead of) the planning commission is good public policy.

This same public act added several other requirements of planning commissions, including annual reporting by the planning commission to the legislative body along with the mandatory creation of a master plan.

- Multiple bills are pending in Lansing that would make changes to investment laws governing Michigan communities. Changes have been proposed to add different types of investments to what is commonly referred to as "Public Act 20," which governs the investment of surplus operating monies. Changes are also being proposed to the laws governing the investment of retirement monies.
- A bill is pending in the Michigan Legislature regarding retainages held by governmental units. Retainages are a common method used by local governments in procurement, particularly in the area of construction contracts. The law change focuses on reducing the retainage amount that a local government could require and stipulate the payment of interest on these monies among other provisions.
- Efforts continue in the wake of the Bolt case to provide a means for local units of government to engage in rate making to finance the cost of utility operations, particularly that of storm water. Senate Bill 1249 has been introduced to address the tests included in the Bolt decision on whether a charge is really a fee or a tax.

Revenue Sharing

The governor released her proposal of the State's fiscal year 2009 budget (for the year ending September 30, 2009) originally in February 2008. Over the course of budget deliberations in the spring and early summer, the Legislature further debated the level of the revenue sharing funding, resulting in a compromise by the Senate and House to fund revenue sharing equal to the projected fiscal year 2008 (fiscal year ending September 30, 2008) amounts, plus provide an increase of 2 percent of the statutory portion of revenue sharing received in fiscal year 2007. This proposal was presented to the governor on July 25, and is awaiting her signature.

Here is a summary (in millions of dollars) of the revenue-sharing budget submitted to the governor:

	FY 2007 Actual	FY 2008 Projected	FY 2009 Projected	% Change
Cities, villages, and townships:				
Constitutional	\$ 665,980	\$ 682,780	\$ 675,992	-0.99%
Statutory	<u>404,920</u>	<u>392,050</u>	<u>406,933</u>	3.80%
Total to CVTs	1,070,900	1,074,830	1,082,925	0.75%
Counties (statutory)	<u>-</u>	<u>-</u>	<u>2,394</u>	n/a
Total revenue sharing	<u>\$ 1,070,900</u>	<u>\$ 1,074,830</u>	<u>\$ 1,085,319</u>	0.98%

While the projection is for an overall increase of 0.75 percent (for cities, villages, and townships), the impact will not be evenly distributed between all local units. Remember, the 2 percent increase is for the statutory portion only - not the constitutional portion. The intent is for the total revenue sharing (constitutional plus statutory) in FY 2009 to equal the total of constitutional and statutory revenue sharing received in FY 2008, plus an additional payment equal to 2 percent of the FY 2007 statutory revenue sharing received by the local unit. That may mean that for those units (primarily townships) that now receive no statutory revenue sharing, total revenue sharing projected for FY 2009 will be identical to the amounts received in FY 2008. We are awaiting a final distribution table from the Michigan Department of Treasury.

The governor's proposed budget also included \$2.4 million to restore state revenue-sharing payments for the six qualifying counties that will exhaust their revenue-sharing reserve funds in fiscal year 2008/2009. As you may remember, a reserve fund was created for each county in 2005 when the State eliminated counties from the revenue-sharing program (remember, counties only receive statutory revenue sharing, not constitutional). In 2005, counties were required to phase in the early collection of winter property tax payments and to create a reserve fund with a portion of these monies. Counties have been drawing on their reserve funds to replace lost statutory revenue sharing. When the reserve fund is depleted, counties will then look to the State to re-enter the statutory portion of the revenue-sharing program. Prior to their elimination from the revenue-sharing program in 2005, counties statewide received approximately \$182 million annually.

The table below details state-shared revenue for the City of Brighton since 2000 broken out by statutory and constitutional portions.

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>	<u>Decrease from 2001</u>
2000	\$ 322,961	\$ 385,438	\$ 708,399	\$ NA
2001	314,755	434,843	749,598	-
2002	281,253	439,273	720,526	(29,072)
2003	235,317	446,709	682,026	(67,572)
2004	171,117	441,856	612,973	(136,625)
2005	153,891	452,401	606,292	(143,306)
2006	139,442	460,104	599,546	(150,052)
2007	131,148	450,544	581,692	(167,906)
2008	116,107	465,585	581,692	(167,906)
2009*	126,997	457,318	584,315	(165,283)

*Estimated

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the City has approximately \$130,000 at risk in its General Fund budget based on 2007 funding levels. In light of the current environment, we strongly encourage local governments to be conservative when budgeting or projecting the revenue-sharing line item.

City of Brighton, Michigan

**Financial Report
with Supplemental Information
June 30, 2008**

City of Brighton, Michigan

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City of Brighton, Michigan

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October 16, 2008

Honorable Mayor and City Council
City of Brighton

The Annual Financial Report of the City of Brighton, Michigan for the fiscal year ended June 30, 2008 is submitted herewith. It was prepared by staff in the Finance Department with the assistance of the audit staff from Plante & Moran. This report was prepared in accordance with regulations and standards set forth by the City Charter, the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants and its Committee on Governmental Accounting and Auditing, the Treasurer of the State of Michigan and the Government Finance Officers Association. Responsibility for the accuracy, completeness, and fairness of the financial data herein, including all disclosures, rests with the City's management.

The accompanying report includes full accrual government-wide financial statements. The purpose of these statements is to demonstrate the operational accountability of the City. Operational accountability is the City's responsibility to report the extent to which we have met our operating objectives efficiently and effectively, using all resources available for that purpose, and whether we can continue to meet our objectives for the foreseeable future. Both the providers and users of City services want to know (1) what public services are provided today and will the City be able to maintain that same (or increased) level of services in future years without an increase in the tax rate and/or user fees?, (2) how much debt is outstanding and will the City be able to repay it without cutting back on the public services provided or increasing the tax rate?, and (3) what types of trends is the City experiencing and how do they compare to other cities with similar characteristics? I will attempt to provide some insight to begin to address answers or how we can address answers to these questions below in "The Future" section of this letter.

The information presented is accurate in all material aspects. The financial statements presented are designed to provide the reader with information to assist in determining both the long-term fiscal health of the City and the City's ability to meet obligations on a short-term basis. The financial statements contained in this report are designed to fairly set forth the financial position and results of operations of the City and include all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs.

The Reporting Entity

As required by generally accepted accounting principles (GAAP), these financial statements present the City of Brighton and related component units. The individual component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The report includes all funds of the City and encompasses a full range of municipal services in the administrative, public safety, community development and public services functions of the City.

Report Organization

The Annual Financial Report was prepared to meet the needs of a broad spectrum of financial statement readers and is divided into the following major sections:

Introductory Section - This section introduces the reader to the City of Brighton and to this report, by way of this transmittal letter.

Financial Section/Basic Financial Statements - The independent auditor's report, management's discussion and analysis, government-wide financial statements, combined fund financial statements, component unit financial statements, and notes to the financial statements are included here.

Financial Section/Required Supplemental Information - This section contains a comparative analysis of actual revenue and expenditures versus the original and final amended budget for the General Fund and each individual major Special Revenue Fund, as well as other supplemental information for the nonmajor governmental funds.

Statistical and Continuing Disclosure Section - Although this section contains substantial financial data, these schedules differ from financial statements in that they present some non-accounting data, cover more than the current year, and are designed to reflect economic and financial trends and provide data pertinent to the City's annual continuing bond disclosure requirements.

General Information

The City of Brighton is located approximately forty-five miles northwest of Downtown Detroit. It was incorporated as a village in 1867 and became a Home Rule City in 1928. Brighton encompasses an area of approximately 3.65 square miles, has an estimated household population of approximately 7,268, and is the central business hub for approximately 47% of Livingston County's approximate 186,051 household population, who reside in its southeast quadrant. The City's estimated 3,574 households reflect an approximate average of 2.03 persons per household, which is the lowest in Livingston County.

The City is primarily residential and commercial in nature, with residential land uses comprising 65 percent of the land area and contributing 52 percent of the total ad valorem tax base. Although commercial uses comprise only 22 percent of the City's land they generate approximately 34 percent of the tax base. Industrial land uses occupy 13 percent of the land and contribute 6 percent to the property tax base. The remaining 8 percent of the ad valorem tax base is comprised of personal property taxes on commercial and industrial real estate.

Brighton has the quality of life of a small city, but also has the advantage of being ideally located with easy access to the metropolitan areas of Ann Arbor, Detroit, Flint, and Lansing. The City operates under the Council-Manager form of government. The Mayor is chosen by the seven-member elected City Council from among its members. The City Council appoints the City Manager who is responsible for the administration of the City's activities. The City Council also appoints the City Attorney, City Planner, and City Engineer.

Major Initiatives in 2007-2008

- The City added \$1,803,000 of New Fixed Capital Assets, Net of Disposals; including road improvements to Oakridge Drive and Spencer Road, the construction of a parking lot at St. Paul and West Streets, and the installation of new and upgraded electrical power in the Downtown.
- The City issued \$2,285,000 of Capital Improvement Bonds for various capital projects, including the reconstruction of Oakridge Drive and Spencer Road, the design of the Mill Pond Lane By-pass Sewer Project, and various other utility-related Projects, as well as vehicles and equipment.
- The City amended the Downtown Development Authority (DDA) Development Plan and Tax Increment Financing Plan.
- The City adopted the Michigan Employees' Retirement System (MERS) Retiree Health Funding Vehicle for all existing and future funds appropriated to the City's Other Post Employment Benefits (OPEB) Reserve to be invested in an Irrevocable Trust.
- The City adopted a Section 125 Cafeteria Plan to allow for pretax employee contributions towards their health insurance premiums.
- The City received its second Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for its submittal for the City's FY 2007-08 Budget document.

Accounting System and Budgetary Control

The diverse nature of governmental operations and the necessity of assuring legal compliance preclude recording and summarizing all governmental financial transactions and balances in a single accounting entity. Therefore, the City's accounting system is organized and operated on a "fund basis". Each fund is a distinct, self-balancing accounting entity.

This report consists of management's representations concerning the finances of the City of Brighton. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these presentations, management of the City of Brighton has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Brighton's financial statements in conformity with GAAP. Internal controls consist of a plan of organization under which employees' duties are so arranged and records and procedures so designed as to make it possible to exercise accounting control over assets, liabilities, revenues and expenditures.

Although we are confident the City's internal controls are comprehensive and designed to be adequate to safeguard the assets and provide the basis for reliability in all financial transactions, New Auditing Standards have created more work for City staff and the auditors alike by requiring more documentation from the City to support their conclusions about the effectiveness of our internal controls.

In view of the importance of the budget as a planning and control instrument in the City, the accounting system provides the basis for appropriate budgetary control. Budget-to-actual comparisons are included in the Required Supplemental Information found on pages 49-51 of this report. Unlike accounting, budgeting is not essentially a financial procedure; it is primarily a policy-planning process. Therefore, it is much less amenable to standardization, however, the importance of GAAP, audit standards, the credit markets' need for more complete disclosure of the City's underlying condition, and the heightened sophistication of the public and press about the importance of outcomes as well as projections, have combined to professionalize and conform budgeting terms and definitions to GAAP. As a result, common terminology, measurement, and classification are used consistently throughout the City's budget, accounting records and financial reports.

Expenditures are authorized via an annual budget passed by resolution in which the Council authorizes the level of funding for City operations. The Council adopts an activity level budget, which is considered the maximum authorization to incur liabilities and not a mandate to spend. No obligation shall be incurred against, and no payment shall be made from any appropriation account that lacks a sufficient balance available to meet the obligation. All expenditures, except personnel costs and certain defined exceptions, are required to have an authorized purchase order.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Brighton operates.

Local Economy - The economic future of the City of Brighton is inseparably linked and inter-connected with the stability and growth of businesses in the Brighton area and the economic future of southeast and south-central Michigan. Economic diversification which enhances the tax base while meeting the service needs of residents without requiring extensive City services is vital to Brighton's economic future. The City can do little to affect interest rates, consumer prices, or, except for very brief periods, the unemployment rate. When it comes to development, however, the City has considerable ability to stimulate the City's economic development through autonomous actions. Although the availability of a skilled labor supply, location and transportation facilities, and energy costs are far more important in industry location decisions than are local tax and expenditure policies, the level of taxation in the City may be an important determinant of business location within the region. How much the City is willing to provide in tax incentives for economic development depends on the probability that the fiscal incentive will work, the need for jobs in the City, and the potential effect of any new industry on the City's revenue and costs. Whatever the effect of the fiscal environment, the City does what it is most capable of to influence location decisions through the fiscal system. According to the Southeast Michigan Council of Governments (SEMCOG), as modified by City data, businesses in the City of Brighton employ approximately 9,000 workers, which is forecasted to decrease in the near term based on the recent downturn in the economy, but increase 43 percent to approximately 12,900 by 2035.

The City's property tax base is well distributed among its taxpayers and until recently had been increasing steadily. However, Proposal A which was voted into law on March 15, 1994 created an artificial "assessment cap" of 5 percent or the rate of inflation, whichever is less, until property ownership is transferred, at which time the cap is lifted to the subsequent year's assessed value. In good economic times where property inflation exceeds overall inflation, the City is prevented from levying property taxes on the assessed values, thereby limiting the City's ability to raise revenue beyond artificially capped taxable values. On the other hand, in bad economic times where property values are declining, the City's overall taxbase may actually decrease in real terms as declines in assessed values force a decline in taxable values. Furthermore, in good economic times as ownership of properties are transferred and their respective assessment caps are lifted the cumulative increase in taxable value may exceed the rate of inflation, causing the City's operating millage to be rolled back based on the Headlee Millage Reduction Fraction, which is currently at 15.2734 mills. On the other hand, in bad economic times, the Headlee Millage Reduction Fraction may remain unchanged, but will not increase. Therefore, without significant new taxable land development within the City, the current statewide property tax system will continue to adversely affect the City's future ability to finance existing City services.

Property tax administration involves discovery of the tax base, preparation of an inventory or property list, appraisal and assessment of property value, recognition of exemptions, determination of the tax levy, and finally collection, remittance and reconciliation of the tax. Fundamental to accomplishing these tasks is the establishment and maintenance of adequate position levels staffed with highly qualified employees, the establishment and maintenance of complete and accurate procedures and forms, and the provision of a system to maintain records and retrieve information in a timely and accurate manner.

To that end, I believe the City needs to utilize its existing personnel and technological resources to their optimal value, while at the same time evaluating the need for structural and organizational changes to prepare for the future demands and workloads of this vital and most important revenue source of the City's governmental activities.

The adjusted ad valorem taxable valuation of \$438,755,605 represents a 4.1 percent increase over the previous year's adjusted taxable valuation. The ratio of total City tax collections to-date for tax year 2007 (current and delinquent) to the current tax levy is 99.66 percent.

Long-term Financial Planning - The City's Master Plan includes the goals to provide for capital improvements that are needed to sustain a quality life for its residents; and to explore methods of generating additional revenue to fund operational and capital projects, including alternative funding options such as grant funding. Annually City staff prepares a six-year Capital Improvement Plan (CIP), which is Reviewed by the City Planning Commission and Adopted by the City Council. The first year of the adopted CIP is incorporated into the City Manager's Proposed Budget, if funding is available. The City's DDA has its own Development Plan, which was previously adopted by the City Council and is also reviewed annually for budgetary considerations. The City's Debt Management Policy has established debt capacity limits or guidelines for the City to use in conjunction with its capital planning and budgeting processes.

Cash Management Policies and Practices - The City makes a serious effort to maximize investment earnings, diversification and insurability of its investable funds. Idle cash during the year was invested in U.S. Treasuries, cash management funds, guaranteed investment contracts, and annuity funds. Interest earned from these investments for the current fiscal year amounted to \$379,397, a decrease of \$111,257 or 22.7 percent from the preceding year, which was caused by a combination of a steady decline in market rate yields and a decrease in the average monthly cash balance available for investments generally due to less tax and utility revenue and capital contributions due to the downturn in the economy. Due to the recent credit market problems, which have caused many banks to experience liquidity and overall financial difficulties, the City will need to step up its efforts to diversify its investment portfolio to increase its insured and collateralized deposits.

The Future

We continue to be fiscally sound, accountable and have operated the City in a good financial manner despite rising costs and demands for services. However, maintaining a sound financial condition for the City continues to be more challenging than ever. The City's true financial condition can be broadly defined as its ability to finance its services on a continuing basis, ie. to find a path to Fiscal Sustainability. More specifically, financial condition refers to the City's ability to maintain existing service levels, withstand local and regional economic disruptions, and meet the demands of natural growth, decline, and change.

Maintaining Existing Service Levels - The City currently struggles to afford to continue paying for the services it now provides. Current services include police protection, refuse collection and disposal, street lighting, street repair and maintenance, cemetery care, the operations and maintenance of City facilities and grounds, building and code enforcement, planning, water, sanitary sewer and stormwater utilities, legislative, board and commission functions, elections, and administrative services; including the City management, legal services, City clerk services, human resources, finance and accounting, assessing and tax administration, utility billing and information technology. In addition, the continued provision of City services requires funds for future liabilities, such as debt service payments for Capital Projects, which are pledged against the future full faith and credit of the City's tax base. Also, the services provided by the City's Downtown Development Authority consume City tax revenue for dedicated Projects.

As the City approaches the practical build-out of its existing undeveloped lands; and if the current negative trends of reduced property values, reduced Revenue Sharing, reduced personal property taxing ability, the cumulative effects of the Headlee Amendment and Proposal A, reduced utility connection fees and the ever growing OPEB and Pension Liabilities continue well into the future, then the City will be forced to look seriously at possible service cuts.

Due to the City's relatively high debt burden, this may include a temporary moratorium on any new debt issuance for the financing of any new and/or replacement and/or expansion of existing City facilities and infrastructure, and will probably not allow for the funding of new services or increased service levels on existing services.

Withstanding Economic Disruption - The City's current General Fund - undesignated fund balance provides it a slim cushion to withstand periodic local and regional economic disruptions, such as a decision by a major employer to move out of the City, producing a significant negative impact on City employment and its tax base; or a surge of regional inflation that affects expenditures more heavily than revenue, leaving the City more funds but less purchasing power. Although the unemployment rate for the City of Brighton is not specifically tracked, the unemployment rate for Livingston County has increased from 6.2 percent to 7.7 percent over the last year. In addition, the Consumer Price Index (CPI) for our region (Detroit/Ann Arbor/Flint) increased from 2.4 percent to 3 percent over the last year.

There are some indications that the local economic downturn could linger for another three to five years. Increasing foreclosures can have a detrimental impact on the City of Brighton. A concentration of home foreclosures in a neighborhood hurts property values in several ways. A glut of foreclosed homes for sale depresses home market values for the other owners. Neighboring businesses often experience a direct monetary loss from reduced sales and neighborhood landlords experience a loss or reduction in rental income. Moreover, the homes left vacant by foreclosure lower the desirability of the neighborhood since there is often an increase or a perceived increase in crime associated with a vacant house. If concentrated foreclosures persist in the City, then the value of surrounding homes may decline. Should housing prices decline dramatically, the effects could be significant. To the extent that price declines reflect a decline in demand for new housing, construction activity will decline. This contraction is already under way, and has reduced residential investment significantly in the City.

House price declines can also affect economic activity through their effect on household wealth. Household wealth, along with income, helps to determine the level of aggregate consumption. Higher levels of wealth lead to higher consumption, all things being equal. Since declines in home prices reduce wealth, they reduce consumption and thus output and employment. If the price of houses were to fall 20 percent in a short period of time, we might well see a shift in overall business confidence. This could produce negative effects on credit markets, as recent events have illustrated. Higher interest rates or restrictions on business credit can in turn reduce real economic activity. In addition, business decision-making and capital investment can be affected by any changes in confidence.

Therefore, given the current state of the local economy, the current General Fund - undesignated fund balance may not be sufficient in the event of a natural or criminal disaster, which could require the City to borrow short-term to cover unanticipated emergency expenditures.

Meeting Demands of Growth and Decline - According to recent estimations provided by SEMCOG, the City of Brighton's current household population has decreased by 215 from a year earlier but is expected to begin to steadily increase in a few years to approximately 9,380 by the year 2035, with an estimated 4,077 households and an estimate of 2.30 persons-per household. As we have seen in recent years, population growth can force the City to rapidly assume new debt to finance streets and utility lines, or it can cause a sudden increase in the operating budget to provide necessary services. Loss of population, on the other hand, can leave the City with the same streets and utilities to maintain, but with fewer people to pay for them.

Even stability can create financial pressure if a population changes composition. For example, a stable population that becomes older and poorer can require new government programs with expensive start-up costs and operating costs that are more expensive than the current service levels. SEMCOG's projections show an 84 percent increase in the City population age 65 or older and a 53 percent decrease in the City population age 1-17 from the 2000 census to the year 2030.

Financial Forecasting - In order to better understand the financial condition of the City it will become increasingly important to continue the development of an ongoing Financial Forecasting model, which should at minimum parallel the City's CIP six-year time frame.

The end result of this forecasting model should be intended to communicate what is likely to happen in the future based on where the City is today and where it appears to be heading. The preparation of a reasonably complete forecast will allow the City to look at its options and prudently plan and act accordingly. As the forecasts are developed over time, they should incorporate benchmark trend analysis to measure how our actual results compare to our projections and to the actual results of other similar benchmark communities. A key benchmark for the General Fund will be its unreserved fund balance, which was \$1,533,875 or 20.6 percent of operating expenditures on June 30, 2008. The Utilities Fund Current Ratio was 1.85 on June 30, 2008, which is below the target of 2:1. Working capital, a key benchmark of the Utilities Fund, increased by approximately \$187,000 to approximately \$948,000 at June 30, 2008, which covered 22 percent of the Utilities Fund Expenses, including depreciation. Exclusive of depreciation, the coverage was 35 percent of expenses

Accounting and Financial Reporting Resources - GASB continues to issue new statements, which impact and change how the City accounts and reports its financial activities. The statement, which will impact the City the most in the next few years, is GASB 45, which will require changes in the reporting of other postemployment benefits (OPEB). This new accounting statement will require the City to calculate an estimate of the non-pension benefits for the City's retirees and potential future retirees, such as retiree health care, to be shown as an accrued liability on the City's accounting records. Rather than using pay-as-you-go for retiree benefits, as the City currently does, GASB 45 will require the City to estimate the future value of such benefits for its retirees, and potential future retirees, and then calculate an actuarially-type derived yearly expense to be shown in its financial accounting records. While GASB 45 requires only accrued accounting of retiree benefits, failure to then fund the calculated annual liability may have additional credit consequences, as an unfunded paper liability will materialize over time.

The effective date of this new accounting standard for the City of Brighton will be in FY 2009-10. An actuarial valuation of OPEB as of June 30, 2006 reflected the present value of all benefits expected to be paid to current plan members was approximately \$13,000,000, of which approximately \$10,670,000 was the actuarial accrued liability, which is the portion attributable to service accrued by plan members as of June 30, 2006. The annual required contribution (ARC) for FY 2007-08 was estimated to be approximately \$881,000, of which approximately \$290,000 was expected to be paid out in premiums during FY 2007-08, leaving approximately \$591,000 as the net OPEB obligation (NOO), however, \$300,615 was actually paid out in premiums during FY 2007-08, an increase of \$21,615 or 7.7 percent from the preceding year.

The FY 2008-09 budget reflects \$256,862 to be paid out in retiree premiums, which is inclusive of \$96,784 of reductions expected from converting the retiree health care plan to a less costly plan, which was implemented, effective August 20, 2008. The FY 2008-09 budget also reflects the implementation of a 5 percent contribution to health care premiums by all full-time employees. Non-union administrative employees began contributing 5 percent towards their City provided health care in July 2008. The City has requested all unionized employees to also contribute 5 percent towards their City provided health care. To date, agreements have not yet been reached with the unionized employees. At June 30, 2008, the City had \$395,539 reserved in the MERS retirement health funding vehicle, an Irrevocable Trust, for the OPEB liability, however, to balance the City's General Fund and Utilities Fund budgets for FY 2008-09, the City did not budget appropriations to the OPEB Reserve Trust. The City will have an actuarial valuation of OPEB completed as of June 30, 2009 as the basis for beginning compliance with GASB 45 for FY 2009-10.

In anticipation of the significant results of this actuarial valuation, the City must continue to work on developing recommendations to reduce and fund the NOO, which I am recommending be funded at least at an 80% level.

During FY 2006-07 GASB issued Statement No. 50, Pension Disclosures, which modifies the notes and required supplementary information (RSI) for pension benefits to make them more similar to the information required for OPEB. Based on this new Statement, the City will need to analyze more closely the future funding needs of its employee pension system (MERS). For the year ended June 30, 2008, the City's annual pension cost (required actuarial contribution) was \$543,068, an increase of \$77,233 or 16.6 percent from the preceding year. The accrued liability of the City's MERS Plan was 69 percent funded in 2007, down from 73 percent in 2006. Historically, the standard amortization period to fund the unfunded liability has been 30 years. This amortization period was reduced to 29 years in 2006, 28 years in 2007 and will be reduced by one year in each of the next eight annual valuations. Beginning with the 2015 valuation a 20-year period will be established with each annual valuation. It is my recommendation that the City should establish a financial policy to become at least 80 percent funded by 2015 and maintain, at minimum, an 80 percent funding level thereafter. This will probably require significant annual cash contributions from the City, over and above the annual required contributions.

Fiscal Sustainability - The City of Brighton is subject to increasing financial pressures, which will only worsen with increasing health care costs, stagnant revenue, and an aging population. The common reaction to fiscal pressure for many communities has been across-the-board budget cuts, which weaken every program equally, regardless of its impact on citizens. Instead, I suggest the City develop an ongoing objective financial planning and budgeting approach for a long-term path to fiscal sustainability by:

1. Assessing the City's Financial Condition, i.e., fund balance/working capital, unfunded liabilities, capital planning etc;
2. Developing a six-year financial forecast, i.e., near to long-term, annual fund balance/working capital snapshot, fiscal indicators, etc.;
3. Evaluating potential additional revenue opportunities, i.e., fees and fines, ads on government property, administrative fees, special assessments and new taxes, etc.;
4. Considering potential general cost reduction opportunities, i.e., early retirements, overtime review, privatization options, cost allocations, etc.;
5. If the forecast projects a budget shortfall, then;
6. Create a department prioritization matrix, measuring the importance and cost of each department;
7. Identify target departments to cut by high cost and low importance;
8. Create a comprehensive list of functions and services for the target departments;
9. Prioritize individual services/functions within a department by a pairwise comparison method;
10. Identify reductions/revisions based upon importance rankings; i.e., positions, alternative service delivery, etc.;
11. If the annual shortfall is met, then;
12. Reduce identified positions and costs in next year's budget; and
13. Establish performance metrics for annual target reductions.

This approach to fiscal sustainability starts with the results citizens want and focuses not on how to cut 10 or 15 percent from the budget, but on how to maximize the results produced with the remaining 85 to 90 percent. This sustainable approach to budgeting can be used year after year to maintain long-term fiscal balance while simultaneously improving the value of the services we deliver to the public.

Independent Audit

The City Charter requires an annual audit of all accounts of the City by Certified Public Accountants selected by the City Council. This requirement has been complied with and the report of Plante & Moran, Certified Public Accountants, is included herein. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Brighton for fiscal year ended June 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Brighton's financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Acknowledgments

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the finance department, as well as the advice from Plante & Moran, PLLC. I wish to express my sincere appreciation to all members of the department who assisted and contributed to its preparation. I would also like to express my thanks to the City Manager, the department directors, and each of you for your interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, reading "David C. Gajda". The signature is written in a cursive, flowing style.

David C. Gajda
Finance Director



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Independent Auditor's Report

To the City Council
City of Brighton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brighton, Michigan (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the City Council
City of Brighton, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brighton's basic financial statements. The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The letter of transmittal, other supplemental information, and statistical and continuing disclosure section, as identified in the table of contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The budgetary comparison schedules, combining balance sheets, and combining statements of revenue, expenditures, and changes in fund balance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The letter of transmittal and statistical and continuing disclosure section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Plante & Moreau, PLLC

September 12, 2008

City of Brighton, Michigan

Management's Discussion and Analysis

As the finance director of the City of Brighton (the "City"), I offer readers of the City of Brighton's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. I encourage readers to consider the information presented here in conjunction with additional information that I have furnished in my letter of transmittal, which can be found on pages i-xi of this report.

Financial Highlights

- The assets of the primary government and component units of the City exceeded its liabilities at the close of the most recent fiscal year by \$56,804,519 (net assets). Of this amount, \$1,356,152 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$2,482,958. This decrease is the net result of an increase of \$435,849 in component unit (DDA and LDFA) net assets and a decrease of \$2,918,807 in the net assets of the primary government.
- The \$2,918,807 decrease in the net assets of the primary government is the net result of a \$2,125,824 decrease in the net assets of the governmental activities and a \$792,983 decrease in net assets of the business-type activities (Utilities Fund). The decrease in net assets of the Utilities Fund is primarily the result of a decrease in capital assets - net of depreciation, which is caused by a significant reduction in capital contributions from connection fees, which go to support the replacement and expansion of the utilities plant and equipment. The decrease in net assets of the governmental activities is primarily the result of decreases in cash and investments (primarily in the General Fund), long-term receivables (primarily special assessment receivables in the Major Street Fund), capital assets - net of depreciation; and increases in accounts payable (primarily in the General and Major Street Funds) and non-current liabilities (primarily debt principal).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,571,388, a decrease of \$480,252 in comparison with the prior year. A total of \$2,244,912 or approximately 63 percent of the fund balance is available for spending at the City's discretion (unreserved fund balance). However, \$1,122,051 of the unreserved fund balance is designated for expenditures in FY 2008-09. Therefore, the remaining \$1,930,964 of fund balance is unreserved and undesignated, of which \$1,450,226 is in the General Fund.
- At the end of the current fiscal year, unreserved (designated and undesignated) fund balance for the General Fund was \$1,450,226, or 20 percent of total current General Fund budgeted operating expenditures for the year ending June 30, 2009.
- The City's total debt (primary government and component units) increased by \$362,800 (1.25 percent) during the current fiscal year. The increase was caused by the issuance of \$2,285,000 of new debt partially offset by the annual maturity of \$1,922,200 of pre-existing debt.

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Brighton's basic financial statements. The City of Brighton's basic financial statements currently comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

Government-wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the City of Brighton's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the City of Brighton's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Brighton is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Brighton that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Brighton include general government, public safety, community development, and public services. The business-type activities of the City of Brighton include the water and sewer utility operations.

The government-wide financial statements include not only the City of Brighton itself (known as the primary government), but also a legally separate Downtown Development Authority and a legally separate Local Development Finance Authority, for which the City of Brighton is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report.

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Brighton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Brighton can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information is useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Brighton currently maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balance for the General Fund, Major Street Fund, Local Street Fund, and Capital Improvement Fund, which are all considered to be major funds; the OPEB Reserve Fund, Principal Shopping District Fund, two Street Debt Funds, and Building Authority Fund are combined into one column titled nonmajor funds.

The City of Brighton adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund in the required supplemental information to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary Funds - The City of Brighton maintains one type of propriety fund, which is an Enterprise Fund used to report and account for its utilities (Water and Sewer) operations. The Utilities Fund (which is considered a major fund) is used to report the same functions presented as business-type activities in the government-wide financial statements, but only in more detail. The proprietary fund financial statements can be found on pages 21-23 of this report.

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

Fiduciary Funds - Fiduciary funds are intended to be used to account for resources held for the benefit of parties outside the City government organization. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Brighton's own programs. The accounting used for fiduciary funds is much like that of propriety funds. The City of Brighton maintains two fiduciary funds, which are Agency Funds, one for current tax collections and the other for delinquent personal property tax collections. The basic fiduciary fund financial statements can be found on page 24 of this report.

Notes to the Financial Statements - The notes provide additional information, which is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-47 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City of Brighton's budgetary comparisons with actual for its General Fund and major Special Revenue Funds. In addition, a new other supplemental information section will now include a statement separating each nonmajor fund. All of the required supplemental information can be found on pages 49-57 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. As shown below, for the year ended June 30, 2008, assets exceeded liabilities by \$56,804,519.

By far, the largest portion of the City of Brighton's net assets (88 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City of Brighton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Brighton's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary Condensed Statement of Net Assets (normally presented in thousands of dollars)

	Governmental Activities		Business-type Activities		Component Units		Total	
	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
Assets								
Current assets	\$ 6,645.6	\$ 7,201.7	\$ 2,315.0	\$ 2,047.1	\$ 525.6	\$ 565.3	\$ 9,486.2	\$ 9,814.1
Capital assets	33,298.0	33,804.2	39,971.0	41,048.3	5,300.6	5,190.4	78,569.6	80,042.9
Total assets	39,943.6	41,005.9	42,286.0	43,095.4	5,826.2	5,755.7	88,055.8	89,857.0
Liabilities								
Current liabilities	1,836.9	1,433.7	1,119.8	1,026.5	421.8	387.2	3,378.5	2,847.4
Long-term liabilities	12,915.3	12,255.0	11,667.5	11,777.2	3,290.0	3,690.0	27,872.8	27,722.2
Total liabilities	14,752.2	13,688.7	12,787.3	12,803.7	3,711.8	4,077.2	31,251.3	30,569.6
Net Assets								
Invested in capital assets -								
Net of related debt	20,830.1	21,300.2	27,838.0	28,592.2	2,250.6	1,815.4	50,918.7	51,707.8
Restricted	4,245.6	4,052.5	284.0	-	-	-	4,529.6	4,052.5
Unrestricted (deficit)	115.7	1,964.5	1,376.7	1,699.5	(136.2)	(136.9)	1,356.2	3,527.1
Total net assets	\$ 25,191.4	\$ 27,317.2	\$ 29,498.7	\$ 30,291.7	\$ 2,114.4	\$ 1,678.5	\$ 56,804.5	\$ 59,287.4

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

An additional portion of the City of Brighton's net assets (8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,448,216) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Brighton is able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its primary government and each of its separate activities, i.e., the governmental and business-type activities. In regard to its component units, the unrestricted net assets are in a deficit position, due to the fact that the LDFA Fund's outstanding debt is for assets constructed and subsequently transferred to the City.

Governmental Activities - As shown below, governmental activities decreased the City of Brighton's net assets by \$2,125,824. Last fiscal year, the net assets of the governmental activities increased by \$311,575. The year-over-year change is the net result of \$324,360 less total revenue than last fiscal year and \$2,113,039 more total program expenses than last fiscal year. The decrease in revenue is primarily in the areas of capital grants and contributions, service charges, and state-shared revenue. The increase in expenses is in the general government, public safety, and public service programs, as well as interest on long-term debt.

Business-type Activities - Business-type activities decreased the City of Brighton's net assets by \$792,983. Last fiscal year, the net assets of the business-type activities decreased by \$996,375. The year-over-year change is the net result of \$752,093 less total revenue than last fiscal year and \$955,485 less total program expenses than last fiscal year. Less connection fees and investment earnings primarily cause the decrease in revenue. The decrease in expenses is primarily the result of less operating expenses due to the end of the change-out to the automated meter reading program, the elimination of the appropriation to the General Fund for administrative overhead costs, the reallocation of City Hall administrative employee personnel costs to the General Fund, and the reallocation of stormwater operation and maintenance costs to the Major Street Fund.

Component Units - Component units increased the City of Brighton's net assets by \$435,849, compared to an increase of \$295,166 in the prior year. The year-over-year change is the net result of \$70,264 more total revenue than last fiscal year and \$70,419 less total program expenses than last fiscal year. The increase in revenue is primarily from increased tax increment revenue and General Fund support of the DDA's debt service. The decrease in expenses is primarily the result of a decrease in overall DDA expenses and the elimination of the LDFA's share of the planning consultant.

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

Summary Condensed Income Statement (normally presented in thousands of dollars):

	Governmental Activities		Business-type Activities		Component Units		Total	
	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
Revenue								
Program revenue:								
Charges for services	\$ 804.9	\$ 896.8	\$ 3,082.0	\$ 3,008.7	\$ -	\$ -	\$ 3,886.9	\$ 3,905.5
Operating grants and contributions	402.6	416.8	-	-	-	-	402.6	416.8
Capital grants and contributions	-	406.4	357.5	1,198.1	26.1	18.6	383.6	1,623.1
General revenue:								
Property taxes	6,308.6	6,109.0	-	-	992.7	919.1	7,301.3	7,028.1
State-shared revenue	624.3	603.8	-	-	-	-	624.3	603.8
Unrestricted investment earnings	472.4	545.5	47.9	78.5	20.9	35.0	541.2	659.0
Other	239.7	185.2	-	-	6.1	2.8	245.8	188.0
Loan on sale of assets	(25.7)	(12.2)	-	(45.8)	-	-	(25.7)	(58.0)
Total revenue	8,826.8	9,151.3	3,487.4	4,239.5	1,045.8	975.5	13,360.0	14,366.3
Program Expenses								
General government	2,878.7	2,349.9	-	-	-	-	2,878.7	2,349.9
Public safety	2,519.0	2,153.7	-	-	-	-	2,519.0	2,153.7
Public services	4,426.5	3,195.0	-	-	609.9	680.4	5,036.4	3,875.4
Community development	539.8	571.7	-	-	-	-	539.8	571.7
Interest on long-term debt	588.6	569.4	-	-	-	-	588.6	569.4
Water and sewer	-	-	4,280.4	5,235.9	-	-	4,280.4	5,235.9
Total program expenses	10,952.6	8,839.7	4,280.4	5,235.9	609.9	680.4	15,842.9	14,756.0
Change in Net Assets	\$ (2,125.8)	\$ 311.6	\$ (793.0)	\$ (996.4)	\$ 435.9	\$ 295.1	\$ (2,482.9)	\$ (389.7)

The City's Funds

Governmental Funds - The focus of the City of Brighton's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Brighton's financing requirements. In particular, unreserved and undesignated fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Brighton's governmental funds reported combined ending fund balances of \$3,571,388, a decrease of \$480,252 in comparison with the prior year. Approximately 54 percent of this total amount (\$1,930,964) constitutes unreserved undesignated fund balance, which is available for investment and/or spending at the City's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to (1) liquidate contracts and purchase orders of the prior period or for subsequent year expenditures and (2) be reserved for contingent liabilities and other restricted purposes.

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

The General Fund is the chief operating fund of the City of Brighton. At the end of the current fiscal year, unreserved undesignated fund balance of the General Fund was \$1,450,226 while the total unreserved fund balance reached \$1,533,875. As a measure of the General Fund's liquidity, it may be useful to compare the total unreserved fund balance to the total fund operating expenditures. Unreserved fund balance represents 21 percent of total current General Fund budgeted operating expenditures for the year ending June 30, 2009.

The total fund balance of the City of Brighton's General Fund decreased by \$627,955 during the current fiscal year. The primary factors for this decrease were more public safety, public services, and general government expenditures, partially caused by the reallocation of City Hall administrative employee personnel costs to the General Fund.

At the end of the current fiscal year, unreserved undesignated fund balance of the Special Revenue Funds (Major and Local Street Funds, Principal Shopping District Fund, and OPEB Reserve Fund) was \$480,738, while the total unreserved fund balance was \$1,519,140. The majority of the \$480,738 of unreserved and undesignated fund balance at year end is in the Major Street Fund.

At the end of the current fiscal year, the Debt Service Funds (Street Voted and Street Non-voted Debt Funds) had a total fund balance of \$0.

At the end of the current fiscal year, fund balance of the Capital Projects Fund (Capital Improvement and Building Authority Funds) was \$60,371, which is reserved for carryforward encumbrances.

Proprietary Funds - The City of Brighton's Utilities Enterprise Fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Utilities Fund at the end of the year amounted to \$1,376,700, down from \$1,699,459 in the prior year. The Utilities Fund had a \$627,630 operating loss primarily because the operating revenue does not cover the depreciation expense. This fund generated a net loss of \$792,983. The net loss, or decrease in net assets, which is more than the operating loss, reflects that the one-time collections of connection fees and developer contributions fell significantly short of covering the annual depreciation expenses.

General Fund Budgetary Highlights

Differences between the original budget and final amended budget can be briefly summarized as follows:

- The \$26,103 or less than 1 percent increase in total revenue from the original budget reflected primarily a net of more than expected property taxes, penalties, interest and fees; state liquor license fees, and fines and forfeits, partially offset by less than anticipated state shared sales tax revenue, service charges, building related permits, investment earnings, and building rental fees.

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

- The \$484,014 or 5.6 percent increase in total expenditures from the original budget reflected primarily a net of more than expected expenditures in the general government, public safety, public services, property tax contingencies, and transfers-out activity budgets, partially offset by less than anticipated expenditures in the community development activity budget.

Capital Asset and Debt Administration

Capital Assets - As shown below, the City of Brighton's investment in capital assets for its primary government (governmental and business-type activities) as of June 30, 2008 amounts to \$73,268,998 (net of accumulated depreciation). This investment in capital assets includes land (including rights-of-way), buildings and system, improvements, machinery and equipment, park facilities, streets, and bridges. The City of Brighton's investment in capital assets for its component units (DDA) as of June 30, 2008 amounts to \$5,300,616 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and improvements. The total decrease in the City of Brighton's investment in capital assets for the current year was 1.8 percent (a 1.5 percent decrease in governmental activities, a 2.6 percent decrease for business-type activities, and a 2.1 percent increase for its component units).

Capital Assets (Net of Depreciation) (in thousands of dollars)

	Primary Government							
	Governmental Activities		Business-type Activities		Component Units		Total	
	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2006
Land	\$ 13,530.8	\$ 13,530.8	\$ 157.4	\$ 157.4	\$ 578.8	\$ 578.8	\$ 14,267.0	\$ 14,267.0
Buildings and system	4,928.1	4,882.0	19,063.6	19,762.5	1,170.4	1,056.0	25,162.1	25,700.5
Machinery and equipment	939.5	1,091.8	530.2	543.9	3,551.4	3,555.7	5,021.1	5,191.4
Infrastructure	13,862.4	14,295.4	20,219.8	20,550.7	-	-	34,082.2	34,846.1
Construction in progress	37.2	4.2	-	33.8	-	-	37.2	38.0
Total	\$ 33,298.0	\$ 33,804.2	\$ 39,971.0	\$ 41,048.3	\$ 5,300.6	\$ 5,190.5	\$ 78,569.6	\$ 80,043.0

Major capital assets acquired during the current fiscal year included the following:

- Governmental Activities** - The governmental activities capital assets included road improvements to Oakridge Drive, road improvements to Spencer Road, downtown electrical power upgrades, Old Town Hall renovations, Cable TV broadcast improvements, and vehicle acquisitions.
- Business-type Activities** - Utility-related improvements included utilities related to the Spencer Road Project, and various other utility related projects, vehicles, and equipment.
- Component Units** - DDA improvements included the construction of a parking lot at St. Paul and West Streets.

Additional information on the City of Brighton's capital assets can be found in Note 5 on pages 37-40 of this report.

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

Long-term Debt - As shown below, at the end of the current fiscal year, the City of Brighton had total debt outstanding of \$29,382,880. Of this total, \$18,814,800 or 64 percent comprises debt backed by the full faith and credit of the City, including \$1,265,000 of Revenue Bonds; \$2,870,000 or 10 percent is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment; and \$7,698,080 or 26 percent comprises revenue bonds backed by the revenue of the City's Utility Fund. A total of \$13,275,950 or 45 percent of the total debt is governmental activities debt, \$12,416,930 or 42 percent is business-type activities debt, and the remaining \$3,690,000 or 13 percent is component unit debt.

Outstanding Debt (General Obligation, Special Assessment, and Revenue Debt)

	Primary Government						Total	
	Governmental Activities		Business-type Activities		Component Units			
	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2006
General obligation bonds/ notes	\$ 10,546.0	\$ 9,544.0	\$ 3,313.8	\$ 2,903.0	\$ 3,690.0	\$ 4,060.0	\$ 17,549.8	\$ 16,507.0
Special assessment bonds	2,730.0	2,960.0	140.0	175.0	-	-	2,870.0	3,135.0
Revenue bonds with a general obligation pledge	-	-	1,265.0	1,330.0	-	-	1,265.0	1,330.0
Revenue bonds	-	-	7,698.1	8,048.1	-	-	7,698.1	8,048.1
Total	\$ 13,276.0	\$ 12,504.0	\$ 12,416.9	\$ 12,456.1	\$ 3,690.0	\$ 4,060.0	\$ 29,382.9	\$ 29,020.1

The City of Brighton's total debt increased by \$362,800 (1.25 percent) during the current fiscal year. The increase was the result of the issuance of \$2,285,000 of new debt partially offset by the annual maturity of \$1,922,200 of pre-existing debt.

The City of Brighton maintains noninsured ratings as follows: A+ from Standard & Poor's, A1/A2 rating from Moody's, and an A+ from Fitch.

State statutes limit the amount of general obligation debt a city may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Brighton is \$51,643,769, which is significantly in excess of the City's total net debt (total debt less special assessment, revenue, MTF, and County-shared debt) of \$15,180,000. Therefore, the legal debt margin, or what the City could legally add to its outstanding debt at June 30, 2008, was \$36,463,769.

Additional information on the City of Brighton's long-term debt can be found in Note 7 on pages 41-45 of this report.

City of Brighton, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Brighton has not been tracked since December 31, 2004. At June 30, 2008, the average unemployment rate for Livingston County was 7.7 percent, which is an increase from 6.2 percent a year ago; for the State of Michigan it was 8.5 percent, and for the United States it was 5.5 percent.
- The Consumer Price Index (CPI) for our region (Detroit/Ann Arbor/Flint) was 3.0 percent for the year ended June 30, 2008, which is an increase from the CPI of 2.4 percent a year ago. This compares favorably to the Midwest Urban average CPI rate of 4.9 percent and favorably to the national CPI rate of 5.0 percent.

The trends in these economic factors will be considered in preparing the City of Brighton's fiscal year 2009-2010 budget.

During the current fiscal year, unreserved fund balance in the General Fund decreased by \$582,497 to \$1,533,875. The City of Brighton has designated \$83,649 of this amount for future subsequent year expenditures. The remaining unreserved balance of \$1,450,226 is undesignated. The unreserved fund balance represents 21 percent of the total current General Fund budgeted operating expenditures at June 30, 2009, while the unreserved and undesignated fund balance represents 20 percent of the total current General Fund budgeted operating expenditures at June 30, 2009. In anticipation of the significant liability numbers which may result from the OPEB actuarial valuation as of June 30, 2009, as well as any additional contributions, over and above the annual required contributions, which may be needed to increase the City's funding level of the MERS retirement system, the City may want to consider designating all of the remaining unreserved and undesignated portion of the General Fund - fund balance for these purposes.

The City's utility user fees and connection were increased for the fiscal year 2008-2009 budget year. The user fees were increased by an average of 5.4 percent and the connection fees were increased by an average of 7 percent for all customers. The user fee rate increase was necessary to support the ongoing operations and maintenance of the City's utility systems, while the connection fee rate increase was implemented to support the future replacement of existing capital assets. The City continues to see a trend of reduced connection fee sales, based on the recent economic downturn and as the City approaches its eventual build-out. If connection fees continue to diminish by the sale of reduced units, then the City will need to not only eliminate its use of utility reserves to fund significant new utility capital projects, but also adjust its user fees to cover what may be necessary to fund needed improvements to its utility systems.

Contacting the City's Management

This financial report is designed to provide a general overview of the City of Brighton's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to David C. Gajda, finance director, City of Brighton, 200 N. First Street, Brighton, MI 48116.

City of Brighton, Michigan

Statement of Net Assets June 30, 2008

	Primary Government			Component
	Governmental	Business-type		Units
	Activities	Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 3,069,025	\$ 824,224	\$ 3,893,249	\$ 520,907
Receivables (Note 4):				
Due within one year	277,332	806,565	1,083,897	4,679
Due in more than one year	2,449,637	-	2,449,637	-
Restricted assets (Note 9)	808,103	283,961	1,092,064	-
Inventories	-	153,640	153,640	-
Prepaid costs and other assets	41,561	246,573	288,134	-
Capital assets - Not being depreciated (Note 5)	13,568,052	157,362	13,725,414	578,764
Capital assets - Net of depreciation (Note 5)	19,729,925	39,813,659	59,543,584	4,721,852
Total assets	39,943,635	42,285,984	82,229,619	5,826,202
Liabilities				
Accounts payable	374,335	121,540	495,875	21,845
Accrued and other liabilities	328,465	133,536	462,001	-
Noncurrent liabilities (Note 7):				
Due within one year	1,134,132	864,700	1,998,832	400,000
Due in more than one year	12,915,254	11,667,495	24,582,749	3,290,000
Total liabilities	14,752,186	12,787,271	27,539,457	3,711,845
Net Assets				
Invested in capital assets - Net of related debt	20,830,130	27,838,052	48,668,182	2,250,616
Restricted:				
Roads and capital projects	3,915,811	283,961	4,199,772	-
Cemetery care	327,659	-	327,659	-
Economic development	2,138	-	2,138	-
Unrestricted	115,711	1,376,700	1,492,411	(136,259)
Total net assets	<u>\$ 25,191,449</u>	<u>\$ 29,498,713</u>	<u>\$ 54,690,162</u>	<u>\$ 2,114,357</u>

City of Brighton, Michigan

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 2,878,690	\$ 432,170	\$ -	\$ -
Public safety	2,519,047	337,470	-	-
Public services	4,426,522	35,261	402,555	-
Community development	539,752	-	-	-
Interest on long-term debt	588,639	-	-	-
Total governmental activities	10,952,650	804,901	402,555	-
Business-type activities - Water and sewer	4,280,411	3,082,028	-	357,491
Total primary government	<u>\$ 15,233,061</u>	<u>\$ 3,886,929</u>	<u>\$ 402,555</u>	<u>\$ 357,491</u>
Component units:				
Downtown Development Authority	\$ 544,746	\$ -	\$ -	\$ 26,078
Local Development Finance Authority	65,188	-	-	-
Total component units	<u>\$ 609,934</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,078</u>
General revenues:				
Property taxes				
State-shared revenues				
Interest				
Other				
Loss on disposal of asset				
Total general revenues and loss on disposal of asset				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2008

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,446,520)	\$ -	\$ (2,446,520)	\$ -
(2,181,577)	-	(2,181,577)	-
(3,988,706)	-	(3,988,706)	-
(539,752)	-	(539,752)	-
(588,639)	-	(588,639)	-
(9,745,194)	-	(9,745,194)	-
-	(840,892)	(840,892)	-
(9,745,194)	(840,892)	(10,586,086)	-
-	-	-	(518,668)
-	-	-	(65,188)
-	-	-	(583,856)
6,308,624	-	6,308,624	992,709
624,346	-	624,346	-
472,416	47,909	520,325	20,933
239,642	-	239,642	6,063
(25,658)	-	(25,658)	-
7,619,370	47,909	7,667,279	1,019,705
(2,125,824)	(792,983)	(2,918,807)	435,849
27,317,273	30,291,696	57,608,969	1,678,508
\$ 25,191,449	\$ 29,498,713	\$ 54,690,162	\$ 2,114,357

City of Brighton, Michigan

	General	Major Street	Local Street	Capital Improvement
Assets				
Cash and investments	\$ 2,033,049	\$ 854,403	\$ 23,388	\$ 62,392
Receivables:				
Delinquent taxes	23,242	-	-	-
Customer	54,755	-	-	-
Special assessments	-	2,376,308	-	-
Due from other governmental units	98,137	84,924	16,274	-
Restricted assets (Note 9)	-	808,103	-	-
Total assets	<u>\$ 2,209,183</u>	<u>\$ 4,123,738</u>	<u>\$ 39,662</u>	<u>\$ 62,392</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 123,530	\$ 247,553	\$ 36	\$ 246
Accrued liabilities	164,218	-	-	-
Deposits	19,502	-	-	-
Deferred revenue	23,242	2,376,308	-	1,775
Total liabilities	330,492	2,623,861	36	2,021
Fund Balances				
Reserved for:				
Cemetery care	327,659	-	-	-
Economic development	2,138	-	-	-
Encumbrances	15,019	113,186	-	60,371
Road construction projects	-	808,103	-	-
Unreserved - Reported in:				
Designated for subsequent years' expenditures	83,649	215,420	12,282	-
General Fund	1,450,226	-	-	-
Special Revenue Funds	-	363,168	27,344	-
Total fund balances	<u>1,878,691</u>	<u>1,499,877</u>	<u>39,626</u>	<u>60,371</u>
Total liabilities and fund balances	<u>\$ 2,209,183</u>	<u>\$ 4,123,738</u>	<u>\$ 39,662</u>	<u>\$ 62,392</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Fund Balance - Total Governmental Funds

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds - Net of accumulated depreciation

Receivables are expected to be collected over several years and are not available to pay for current year expenditures

Long-term liabilities are not due and payable in the current period and are not reported in the funds

Accrued interest is not due and payable in the current period and is not reported in the funds

Capitalized bond discount costs are not reported in the governmental funds - Net of amortization

Net Assets of Governmental Activities

**Governmental Funds
Balance Sheet
June 30, 2008**

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 95,793	\$ 3,069,025
-	23,242
-	54,755
73,329	2,449,637
-	199,335
-	808,103
<u>\$ 169,122</u>	<u>\$ 6,604,097</u>

\$ 2,970	\$ 374,335
-	164,218
-	19,502
<u>73,329</u>	<u>2,474,654</u>
76,299	3,032,709
-	327,659
-	2,138
-	188,576
-	808,103
2,597	313,948
-	1,450,226
<u>90,226</u>	<u>480,738</u>
<u>92,823</u>	<u>3,571,388</u>
<u>\$ 169,122</u>	<u>\$ 6,604,097</u>

\$ 3,571,388

33,297,977

2,474,654

(14,049,386)

(144,745)

41,561

\$ 25,191,449

City of Brighton, Michigan

	General	Major Street	Local Street	Capital Improvement
Revenue				
Property taxes	\$ 6,308,624	\$ -	\$ -	\$ -
State-shared	624,346	303,239	99,316	-
Charges for services	102,677	-	-	-
Special assessment	-	170,683	-	-
Fines and penalties	337,304	83	83	-
Licenses and permits	304,189	22,224	3,080	-
Interest	217,466	235,415	1,417	1,367
Contributions from other funds	-	-	-	-
Other	171,313	35,261	-	26,777
Total revenue	8,065,919	766,905	103,896	28,144
Expenditures				
Current:				
General government	2,321,461	-	-	-
Public safety	2,417,734	-	-	-
Public services	2,350,622	1,159,917	191,429	-
Community development	536,544	-	-	-
Capital outlay	-	-	-	297,297
Debt service	-	-	-	167,540
Total expenditures	7,626,361	1,159,917	191,429	464,837
Excess of Revenue Over (Under) Expenditures	439,558	(393,012)	(87,533)	(436,693)
Other Financing Sources (Uses)				
Transfers in	219,000	-	76,750	367,641
Transfers out	(1,286,513)	(653,396)	-	-
Proceeds from issuance of debt	-	1,530,950	-	-
Total other financing sources (uses)	(1,067,513)	877,554	76,750	367,641
Net Change in Fund Balances	(627,955)	484,542	(10,783)	(69,052)
Fund Balances - Beginning of year	2,506,646	1,015,335	50,409	129,423
Fund Balances - End of year	<u>\$ 1,878,691</u>	<u>\$ 1,499,877</u>	<u>\$ 39,626</u>	<u>\$ 60,371</u>

Governmental Funds
Statement of Revenue, Expenditures, and
Changes in Fund Balances
Year Ended June 30, 2008

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 6,308,624
-	1,026,901
-	102,677
75,880	246,563
-	337,470
-	329,493
16,751	472,416
40,498	40,498
1,054	234,405
<u>134,183</u>	<u>9,099,047</u>
495,322	2,816,783
-	2,417,734
-	3,701,968
-	536,544
-	297,297
<u>1,172,383</u>	<u>1,339,923</u>
<u>1,667,705</u>	<u>11,110,249</u>
(1,533,522)	(2,011,202)
1,276,518	1,939,909
-	(1,939,909)
<u>-</u>	<u>1,530,950</u>
<u>1,276,518</u>	<u>1,530,950</u>
(257,004)	(480,252)
<u>349,827</u>	<u>4,051,640</u>
<u><u>\$ 92,823</u></u>	<u><u>\$ 3,571,388</u></u>

City of Brighton, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (480,252)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and recorded as depreciation expense:

Capital outlay	\$ 1,013,472
Depreciation expense	<u>(1,494,051)</u>

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (358,602)

Bond proceeds received. Governmental funds report proceeds as revenues when received rather than capitalizing the long-term debt (1,530,950)

Bond discounts from the issuance of debt. Governmental funds report discounts as expense when received rather than capitalizing and amortizing the discount 28,739

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 759,000

Loss from the sale of capital assets is not reported in the governmental funds; the statement of activities records a loss, included in miscellaneous expense (25,658)

Increases in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when incurred in the statement of activities (29,806)

Increase in interest expense accrued on long-term debt (7,716)

Change in Net Assets of Governmental Activities **\$ (2,125,824)**

City of Brighton, Michigan

Proprietary Funds Statement of Net Assets June 30, 2008

	Enterprise - Utility Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 824,224
Receivables:	
Customer	659,074
Special assessments	147,491
Inventories	153,640
Restricted assets (Note 9)	283,961
Total current assets	2,068,390
Noncurrent assets:	
Other assets	246,573
Capital assets	39,971,021
Total noncurrent assets	40,217,594
Total assets	42,285,984
Liabilities	
Current liabilities:	
Accounts payable	121,540
Accrued and other liabilities	133,536
Current portion of long-term debt	864,700
Total current liabilities	1,119,776
Noncurrent liabilities:	
Provision for compensated absences	115,265
Long-term debt - Net of current portion	11,552,230
Total noncurrent liabilities	11,667,495
Total liabilities	12,787,271
Net Assets	
Invested in capital assets - Net of related debt	27,838,052
Restricted for capital projects	283,961
Unrestricted	1,376,700
Total net assets	<u><u>\$ 29,498,713</u></u>

City of Brighton, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2008

	Enterprise - Utility Fund
Operating Revenue	
Sales	\$ 2,561,992
Penalties	43,906
Tap charges and other	476,130
Total operating revenue	3,082,028
Operating Expenses	
Salaries and fringe benefits	1,213,420
Other purchased services	222,861
Purchased property services	85,976
Professional and technical services	46,743
Supplies	230,767
Depreciation	1,543,820
Amortization	27,964
Property	43,687
Utilities	291,885
Other	2,535
Total operating expenses	3,709,658
Operating Loss	(627,630)
Nonoperating Revenue (Expense)	
Interest income	47,909
Interest expense	(570,753)
Total nonoperating expense	(522,844)
Loss - Before contributions	(1,150,474)
Capital Contributions	357,491
Change in Net Assets	(792,983)
Net Assets - Beginning of year	30,291,696
Net Assets - End of year	\$ 29,498,713

City of Brighton, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2008

	Enterprise - Utility Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 3,334,955
Payments to suppliers	(816,719)
Payments to employees	(1,219,137)
Net cash provided by operating activities	1,299,099
Cash Flows from Capital and Related Financing Activities	
Contributions received	350,491
Principal paid on debt	(793,200)
Proceeds from issuance of new debt	754,050
Acquisition and construction of capital assets	(493,354)
Interest paid on debt	(570,752)
Net cash used in capital and related financing activities	(752,765)
Cash Flows from Investing Activities - Interest received on investments	47,909
Net Increase in Cash and Cash Equivalents	594,243
Cash and Cash Equivalents - Beginning of year	513,942
Cash and Cash Equivalents - End of year	<u><u>\$ 1,108,185</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (627,630)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization expense	1,571,784
Changes in assets and liabilities:	
Accounts receivable	252,927
Inventories and other assets	79,337
Accounts payable	28,398
Accrued and other liabilities	(5,717)
Net cash provided by operating activities	<u><u>\$ 1,299,099</u></u>

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2008, developers constructed water and sewer lines with an estimated value of \$7,000 and donated them to the City's Enterprise Fund.

City of Brighton, Michigan

Fiduciary Funds Statement of Assets and Liabilities June 30, 2008

Agency Fund -
Tax Collection

Assets - Cash and equivalents

\$ 2,246

Liabilities - Accounts payable and other

\$ 2,246

City of Brighton, Michigan

Component Units Statement of Net Assets (Deficit) June 30, 2008

	Downtown Development Authority	Local Development Finance Authority	Total
Assets			
Cash and investments	\$ 411,923	\$ 108,984	\$ 520,907
Receivables - Delinquent taxes	4,679	-	4,679
Capital assets	5,300,616	-	5,300,616
Total assets	5,717,218	108,984	5,826,202
Liabilities			
Accounts payable	21,145	700	21,845
Long-term debt	3,050,000	640,000	3,690,000
Total liabilities	3,071,145	640,700	3,711,845
Net Assets (Deficit)			
Investment in capital assets - Net of related debt	2,250,616	-	2,250,616
Unrestricted (deficit)	395,457	(531,716)	(136,259)
Total net assets (deficit)	<u>\$ 2,646,073</u>	<u>\$ (531,716)</u>	<u>\$ 2,114,357</u>

City of Brighton, Michigan

		<u>Program Revenues</u>
	<u>Expenses</u>	<u>Operating Grants and Contributions</u>
Downtown Development Authority	\$ 544,746	\$ 26,078
Local Development Finance Authority	<u>65,188</u>	<u>-</u>
Total governmental activities	<u>\$ 609,934</u>	<u>\$ 26,078</u>

General revenues:

Taxes
Interest
Other

Total general revenues

Change in Net Assets

Net Assets (Deficit) - Beginning of year

Net Assets (Deficit) - End of year

**Component Units
Statement of Activities
Year Ended June 30, 2008**

Net (Expense) Revenue and Changes in Net Assets		
Downtown Development Authority	Local Development Authority	Total
\$ (518,668)	\$ -	\$ (518,668)
<u>-</u>	<u>(65,188)</u>	<u>(65,188)</u>
(518,668)	(65,188)	(583,856)
833,100	159,609	992,709
17,118	3,815	20,933
<u>6,063</u>	<u>-</u>	<u>6,063</u>
<u>856,281</u>	<u>163,424</u>	<u>1,019,705</u>
337,613	98,236	435,849
<u>2,308,460</u>	<u>(629,952)</u>	<u>1,678,508</u>
<u>\$ 2,646,073</u>	<u>\$ (531,716)</u>	<u>\$ 2,114,357</u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Brighton, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Brighton, Michigan:

Reporting Entity

The City of Brighton, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely Presented Component Units

- a. The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA's governing body, which consists of 13 individuals, is selected by the City Council. In addition, the DDA's budget is subject to approval by the City Council.
- b. The Local Development Financing Authority (the "Authority") was created to encourage local economic development to prevent conditions of unemployment and promote economic growth in the community. The Authority's governing body, consisting of 10 individuals, is selected by the City Council. In addition, the Authority's budget is subject to approval by the City Council.

Financial statements for the discretely presented component units are available during office hours at the City of Brighton, 200 N. First Street, Brighton, MI 48116.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Enterprise Fund and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds and the Agency Fund utilize the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, for special assessments, which will be collected after the period of availability, receivables have been recorded for these, along with a "deferred revenue" liability.

Note 1 - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major and Local Streets Funds - Major and Local Streets Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Capital Improvement Fund - The Capital Improvement Fund is a Capital Projects Fund used to account for the development of non-street related governmental activity capital improvements and related debt of the City.

The City reports the following major proprietary fund:

Utility Fund - The Utility Fund accounts for the results of operations that provide a service to citizens that is financed primarily by a user charge for the provision of that service.

Additionally, the City reports the following nonmajor funds:

Principal Shopping District Fund - The Principal Shopping District Fund is a Special Revenue Fund used to account for funds generated to promote economic activity in the district.

Street Voted Debt and Street Nonvoted Debt Funds - Street Voted Debt and Street Nonvoted Debt Funds are used to account for the annual payment of principal, interest, and expenses in connection with certain long-term debt other than debt payable from the operations of an Enterprise Fund.

Building Authority Fund - The Building Authority Fund is a Capital Projects Fund used to account for the development of governmental activity capital facility/building improvements and related debt of the City. This fund was created in 1994 by resolution of the City Council.

Note 1 - Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefits (OPEB) Fund - The OPEB Fund is a Special Revenue Fund used to reserve funds for future retiree benefits.

Agency Fund - The Agency Fund accounts for assets held by the City in a trustee capacity or an agent for individuals, organizations, other governments, or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected to also follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes have a final collection date of February 28 of the following year, at which time uncollected taxes are added to the county tax rolls.

Note 1 - Summary of Significant Accounting Policies (Continued)

The City's 2007 tax is levied and collectible on July 1, 2007 and is recognized as revenue in the year ended June 30, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the City totaled \$438,755,605 (a portion of which is captured by the LDFA and DDA), on which taxes levied consisted of 14.8872 mills for operating purposes and .9218 mills for debt service. This resulted in \$6,531,842 for operating (a portion of which is captured by the LDFA and DDA) and \$404,445 for debt service. These amounts (less what is captured in the LDFA and DDA) are recognized in the General Fund as tax revenue. Revenues recognized related to the debt service levy are then transferred to the Street Voted Debt Service Fund to properly reflect the debt service levy in that fund.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of one year or less when acquired. Investments are stated at fair value. Pooled investment income from various funds is generally allocated to each fund using a weighted average method.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	15 to 20 years
Water and sewer transmission lines	40 to 50 years
Retention/Equilization basin	40 to 50 years
Building/Treatment facilities	40 to 50 years
Buildings and improvements	40 to 50 years
Machinery and equipment	3 to 15 years
Equipment and other	3 to 15 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The unrestricted fund deficit in the Local Development Finance Authority is due to debt issued for assets constructed and subsequently transferred to the City. Tax captures in future years are intended to pay the related debt service.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at July 1, 2007		\$ (264,621)
Current year building permit revenue		196,788
Related expenses:		
Direct costs	\$ 339,535	
Estimated indirect costs	<u>25,465</u>	
Total construction code expenses		<u>365,000</u>
Current year expenditures in excess of revenue		<u>(168,212)</u>
Cumulative shortfall at June 30, 2008		<u><u>\$ (432,833)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The City has designated 10 banks for the deposit of its funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

The City's cash and investments are subject to two types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$2,485,233 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The total amount of bank deposits (certificates of deposit, checking, and savings accounts) insured at year end was \$873,571. The total amount of bank deposits collateralized with securities held by the pledging financial institution was \$958,484. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of Brighton, Michigan

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

The component units do not have a deposit policy for custodial credit risk. At year end, the component units had \$462,031 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The total amount of bank deposits (certificates of deposit, checking, and savings account) that were insured at year end was \$100,000. The component units believe that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the component units evaluate each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Interlocal Agreement Fund	\$ 550,385	Aaa	Moody's
Bank investment pools	322,252	A-1	S&P

Note 4 - Receivables

Receivables as of year end for the City, including the applicable allowances for uncollectible accounts, are as follows:

	Primary Government							
	Governmental Activities							
	General Fund	Major Street Fund	Local Street Fund	Other	Total	Business-type Activities	Total	Component Units
				Nonmajor Funds				
Receivables:								
Taxes	\$ 23,242	\$ -	\$ -	\$ -	\$ 23,242	\$ -	\$ 23,242	\$ 4,679
Customer	54,755	-	-	-	54,755	659,074	713,829	-
Special assessments	-	2,376,308	-	73,329	2,449,637	147,491	2,597,128	-
Intergovernmental	98,137	84,924	16,274	-	199,335	-	199,335	-
Net receivables	\$ 176,134	\$ 2,461,232	\$ 16,274	\$ 73,329	\$ 2,726,969	\$ 806,565	\$ 3,533,534	\$ 4,679

The City considers all receivables to be collectible and has not recorded an allowance for doubtful accounts.

City of Brighton, Michigan

Notes to Financial Statements June 30, 2008

Note 4 - Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the only component of deferred revenue was as follows:

	Unavailable
Delinquent property taxes	\$ 23,242
Special assessments	<u>2,449,637</u>
Total	<u>\$ 2,472,879</u>

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Governmental Activities				
Capital assets not being depreciated:				
Land, including right-of-ways	\$ 13,530,821	\$ -	\$ -	\$ 13,530,821
Construction in progress	<u>4,231</u>	<u>37,231</u>	<u>4,231</u>	<u>37,231</u>
Subtotal	13,535,052	37,231	4,231	13,568,052
Capital assets being depreciated:				
Roads and sidewalks	24,128,312	668,374	-	24,796,686
Buildings and improvements	6,489,270	212,092	-	6,701,362
Equipment and other	<u>2,953,687</u>	<u>100,006</u>	<u>54,364</u>	<u>2,999,329</u>
Subtotal	33,571,269	980,472	54,364	34,497,377
Accumulated depreciation:				
Roads and sidewalks	9,832,927	1,101,379	-	10,934,306
Buildings and improvements	1,607,314	165,957	-	1,773,271
Equipment and other	<u>1,861,866</u>	<u>226,715</u>	<u>28,706</u>	<u>2,059,875</u>
Subtotal	<u>13,302,107</u>	<u>1,494,051</u>	<u>28,706</u>	<u>14,767,452</u>
Net capital assets being depreciated	<u>20,269,162</u>	<u>(513,579)</u>	<u>25,658</u>	<u>19,729,925</u>
Net capital assets	<u>\$ 33,804,214</u>	<u>\$ (476,348)</u>	<u>\$ 29,889</u>	<u>\$ 33,297,977</u>

City of Brighton, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 157,362	\$ -	\$ -	\$ 157,362
Construction in progress	33,829	-	33,829	-
Subtotal	191,191	-	33,829	157,362
Capital assets being depreciated:				
Water and sewer transmission lines	24,084,063	342,442	-	24,426,505
Retention/Equalization basin	4,087,978	38,609	-	4,126,587
Buildings/Treatment facilities	29,642,239	44,825	-	29,687,064
Machinery and equipment	1,330,615	74,477	-	1,405,092
Subtotal	59,144,895	500,353	-	59,645,248
Accumulated depreciation:				
Water and sewer transmission lines	7,122,437	607,544	-	7,729,981
Retention/Equalization basin	498,889	104,374	-	603,263
Buildings/Treatment facilities	9,879,718	743,736	-	10,623,454
Machinery and equipment	786,725	88,166	-	874,891
Subtotal	18,287,769	1,543,820	-	19,831,589
Net capital assets being depreciated	40,857,126	(1,043,467)	-	39,813,659
Net capital assets	<u>\$ 41,048,317</u>	<u>\$ (1,043,467)</u>	<u>\$ 33,829</u>	<u>\$ 39,971,021</u>

City of Brighton, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

Capital asset activity for the City of Brighton's component units for the year was as follows:

Component Units	Balance July 1, 2007	Additions	Balance June 30, 2008
Capital assets not being depreciated -			
Land	\$ 578,764	\$ -	\$ 578,764
Capital assets being depreciated:			
Buildings	2,473,032	378,079	2,851,111
Equipment and other	3,576,889	-	3,576,889
Subtotal	6,049,921	378,079	6,428,000
Accumulated depreciation:			
Buildings	1,417,064	263,600	1,680,664
Equipment and other	21,195	4,289	25,484
Subtotal	1,438,259	267,889	1,706,148
Net capital assets being depreciated	4,611,662	110,190	4,721,852
Net capital assets	\$ 5,190,426	\$ 110,190	\$ 5,300,616

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 60,840
Public safety	101,313
Public services	1,328,690
Community development	3,208
Total governmental activities	\$ 1,494,051

Depreciation expense for business-type activities was \$1,543,820.

City of Brighton, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

Construction Commitments - The City has an active construction project at year end. At year end, the City's commitment with the contractor is as follows:

<u>Project Description</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Oakridge Drive Reconstruction Project	\$ 237,219	\$ 550,056

Note 6 - Interfund Transfers

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Street Nonvoted Debt Fund	\$ 311,724
General Fund	Street Voted Debt Fund	405,038
General Fund	Capital Improvement Fund	367,641
General Fund	Building Authority Fund	97,975
General Fund	OPEB Reserve Fund	104,135
Major Street Fund	Street Nonvoted Debt Fund	357,646
Major Street Fund	Local Street Fund	76,750
Major Street Fund	General Fund	219,000
	Total	<u>\$ 1,939,909</u>

The transfers from the General Fund to the Street Voted Debt Fund, Building Authority Fund, OPEB Fund, and Capital Improvement Fund, as well as transfers from the Major Street Fund to the Street Voted Debt Fund and Local Street Fund, represent the use of unrestricted resources to finance those programs, except for the transfer from the General Fund to the Street Voted Debt Fund, which is restricted for debt service, in accordance with budgetary authorizations.

City of Brighton, Michigan

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2008:

	Governmental Activities	Business-type Activities
Capital Improvement Bonds General Obligation Limited Tax, 5.25%, dated September 1, 2007; maturing October 2031	\$ 1,530,950	\$ 754,050
Capital Improvement Bonds General Obligation Limited Tax, 3.00% to 4.60%, dated June 1, 2005; maturing October 2025	2,900,000	-
Capital Improvement Bonds General Obligation Limited Tax, 3.00% to 4.60%, dated November 1, 2004; maturing October 2026	1,845,000	205,000
Capital Improvement Bonds General Obligation Limited Tax, 3.00% to 4.60%, dated August 13, 2003; maturing in April 2018	440,000	-
Capital Improvement Limited Tax Bond, Limited Tax, 4.00% to 6.00%, dated March 3, 2006; maturing October 2025	570,000	180,000
Special Assessment Limited Tax Bond, 3.50% to 5.00%, dated May 29, 2002; maturing in October 2021	2,675,000	-
Street Bonds General Obligation Limited Tax, 3.50% to 5.00%, dated May 29, 2002; maturing in October 2021	340,000	-
Special Assessment Limited Tax Street Bond, 4.75% to 5.60%, dated October 1, 1994; maturing October 2008	55,000	-
Street Bonds General Obligation Unlimited Tax, 5.00% to 5.80%, dated June 1, 1996; maturing in October 2011	800,000	-
Building Authority General Obligation Limited Tax, 5.00% to 5.90%, dated August 1, 1996; maturing in November 2015	800,000	-
Street Bonds General Obligation Unlimited Tax, 4.40% to 4.75%, dated October 1, 1996; maturing in November 2012	1,125,000	-
1999 Michigan Transportation Fund Bonds, 5.00% to 7.00%, dated September 1, 1999; maturing in August 2013	195,000	-

City of Brighton, Michigan

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt (Continued)

Outstanding Debt (Continued)

	Governmental Activities	Business-type Activities
2004 Drinking Water Revolving Funds, 2.125%, dated March 25, 2004; maturing October 2023	\$ -	\$ 1,265,000
1995 Special Assessment Bonds, 5.00% to 5.50%, dated July 1, 1993; maturing April 2012	-	140,000
Contract Payable - Livingston County Water Supply System, 6.00%, dated December 1, 1997; maturing December 2016	-	154,800
Contract Payable - Livingston County Water Project, 5.20% to 7.20%, dated September 1, 1988; maturing October 2009	-	400,000
Contract Payable - Livingston County Water Supply System, 4.20% to 5.00%, dated September 1, 1988; maturing November 2015	-	645,000
Contract Payable - Livingston County Water Supply System, 5.00% to 6.50%, dated December 1, 1999; maturing November 2020	-	975,000
Michigan Municipal Bond Authority - Wastewater Plant Expansion Revenue Bonds, 3.50% to 5.38 %, dated March 29, 2001; maturing November 2020	-	7,698,080
Compensated absences	<u>773,436</u>	<u>115,265</u>
Total	<u>\$ 14,049,386</u>	<u>\$ 12,532,195</u>

City of Brighton, Michigan

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt (Continued)

Outstanding Debt (Continued)

The following is a summary of the debt outstanding of the component units as of June 30, 2008:

2002 Downtown Development Bonds	
General Obligation Limited Tax, 2.00% to 4.00%, dated November 1, 2002	\$ 2,150,000
2004 Local Development Bonds	
General Obligation Limited Tax, 4.50% to 4.90%, dated May 29, 2002	505,000
1995 Downtown Development Bonds	
General Obligation Limited Tax, 6.00% to 6.40%, dated October 1, 1996	425,000
Local Development Bonds General Obligation Limited Tax, 5.10% to 5.70%, dated October 1, 1996	135,000
Downtown Development Bonds General Obligation Limited Tax, 4.25% to 7.25%, dated September 1, 1998	475,000
Total	<u>\$ 3,690,000</u>

Changes in Long-term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds and notes payable	\$ 9,544,000	\$ 1,530,950	\$ (529,000)	\$ 10,545,950	\$ 642,500
Special assessment bonds	2,960,000	-	(230,000)	2,730,000	230,000
Compensated absences	743,630	29,806	-	773,436	261,632
Total governmental activities	<u>\$ 13,247,630</u>	<u>\$ 1,560,756</u>	<u>\$ (759,000)</u>	<u>\$ 14,049,386</u>	<u>\$ 1,134,132</u>
Business-type Activities					
General obligation bonds and notes payable	\$ 12,281,080	\$ 754,050	\$ (758,200)	\$ 12,276,930	\$ 829,700
Special assessment bonds	175,000	-	(35,000)	140,000	35,000
Compensated absences	114,370	895	-	115,265	-
Total business-type activities	<u>\$ 12,570,450</u>	<u>\$ 754,945</u>	<u>\$ (793,200)</u>	<u>\$ 12,532,195</u>	<u>\$ 864,700</u>
Component Unit - General obligation bonds and notes payable	<u>\$ 4,060,000</u>	<u>\$ -</u>	<u>\$ (370,000)</u>	<u>\$ 3,690,000</u>	<u>\$ 400,000</u>

City of Brighton, Michigan

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt (Continued)

Debt Service Requirements

The annual requirements to service all debt outstanding of the City as of June 30, 2008 (excluding sick and vacation benefits), including both principal and interest, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 872,500	\$ 567,408	\$ 1,439,908	\$ 864,700	\$ 547,197	\$ 1,411,897
2010	945,000	526,505	1,471,505	922,200	507,605	1,429,805
2011	1,005,000	482,802	1,487,802	777,200	470,395	1,247,595
2012	1,035,000	436,348	1,471,348	807,200	435,963	1,243,163
2013	890,000	392,827	1,282,827	827,200	399,072	1,226,272
2014-2018	3,302,200	1,495,383	4,797,583	4,371,600	1,403,814	5,775,414
2019-2023	3,040,000	786,068	3,826,068	3,270,000	365,946	3,635,946
2024-2028	1,784,250	240,896	2,025,146	380,750	72,691	453,441
2029-2032	402,000	34,472	436,472	196,080	16,679	212,759
Total	<u>\$ 13,275,950</u>	<u>\$ 4,962,709</u>	<u>\$ 18,238,659</u>	<u>\$ 12,416,930</u>	<u>\$ 4,219,362</u>	<u>\$ 16,636,292</u>

The annual requirements to service all debt outstanding of the component units as of June 30, 2008, including both principal and interest, are as follows:

	Component Units		
	Principal	Interest	Total
2009	\$ 400,000	\$ 159,114	\$ 559,114
2010	430,000	142,491	572,491
2011	455,000	124,094	579,094
2012	505,000	104,536	609,536
2013	450,000	82,800	532,800
2014-2018	1,210,000	150,745	1,360,745
2019-2023	190,000	39,802	229,802
2024-2028	50,000	1,363	51,363
Total	<u>\$ 3,690,000</u>	<u>\$ 804,945</u>	<u>\$ 4,494,945</u>

Note 7 - Long-term Debt (Continued)

Description of Long-term Debt

Primary Government - The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received.

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for health and disability claims and participates in the Michigan Municipal League risk pool for claims relating to general liability, property, and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 9 - Restricted Assets

The balance of the restricted assets in the governmental funds is approximately \$800,000, which represents unspent bond proceeds that are restricted for capital improvement projects.

The balance of the restricted assets in the enterprise funds is approximately \$280,000, which represents unspent bond proceeds that are restricted for capital improvement projects.

Note 10 - Defined Benefit Pension Plan

Plan Description - The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The MERS issues a publicly available financial report that includes financial statements and required supplemental information for the MERS. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the City's competitive bargaining units and requires no contribution from the employees. The funding policy provides for periodic employer contributions at actuarially determined rates.

Annual Pension Cost - For the year ended June 30, 2008, the City's annual pension cost of \$543,068 for the plan was equal to the City's required actuarial contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent to 12.90 percent per year, and (c) 2.0 percent to 2.5 percent per year cost of living adjustments for certain retirees. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The amortization period is 30 years.

	Fiscal Year Ended June 30		
	2006	2007	2008
Annual pension costs (APC)	\$ 405,227	\$ 465,835	\$ 543,068
Cost of living adjustment	\$ -	\$ 321,183	\$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None

City of Brighton, Michigan

Notes to Financial Statements June 30, 2008

Note 10 - Defined Benefit Pension Plan (Continued)

	Valuation Dated December 31		
	2005	2006	2007
Actuarial value of assets	\$ 6,301,994	\$ 7,375,710	\$ 8,218,700
Actuarial accrued liability (AAL) (entry age)	\$ 9,285,361	\$ 10,172,786	\$ 11,968,086
Unfunded AAL (UAAL)	\$ 2,983,367	\$ 2,797,076	\$ 3,749,386
Funded ratio	68%	73%	69%
Covered payroll	\$ 3,029,692	\$ 3,298,689	\$ 3,637,750
UAAL as a percentage of covered payroll	98%	85%	103%

Note 11 - Other Postemployment Benefits

The City provides postemployment health benefits to all full-time employees upon retirement, in accordance with City policy. Currently, 18 retirees are eligible for postemployment health benefits. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health benefits are recognized in the General Fund and Utility Fund as the insurance premiums become due; during the year, this amounted to approximately \$300,000.

In 2007, the City placed \$402,530 of assets from the OPEB Reserve Trust to the Municipal Employees' Retirement System of Michigan Health Funding Vehicle. Given that this plan is administered by MERS, the City does not report the plan's assets within the basic financial statements. As of year end, the total holdings of the trust were \$395,540.

Note 12 - Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

Required Supplemental Information

City of Brighton, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Revenue				
Property taxes	\$ 6,253,000	\$ 6,332,000	\$ 6,308,624	\$ (23,376)
State-shared	603,247	620,000	624,346	4,346
Charges for services	103,550	91,400	102,677	11,277
Fines and penalties	299,500	330,000	337,304	7,304
Licenses and permits	293,900	291,000	304,189	13,189
Interest	300,050	225,000	217,466	(7,534)
Other	157,050	147,000	171,313	24,313
Total revenue	8,010,297	8,036,400	8,065,919	29,519
Expenditures				
General government:				
City Council	67,209	75,000	73,996	1,004
City manager	151,582	175,000	174,249	751
City clerk	256,701	281,000	276,136	4,864
Legal services	174,351	204,000	199,042	4,958
Personnel	97,493	86,996	86,996	-
Finance	800,259	768,000	759,166	8,834
Information technology	227,750	213,000	209,146	3,854
Postemployment benefits	289,031	275,000	272,543	2,457
Other agencies	203,973	203,973	190,564	13,409
Contingencies	3,750	80,000	79,623	377
Total general government	2,272,099	2,361,969	2,321,461	40,508
Public safety - Police department	2,343,906	2,483,003	2,417,734	65,269
Public services	2,149,868	2,404,000	2,350,622	53,378
Community development	664,531	557,003	510,466	46,537
Total expenditures	7,430,404	7,805,975	7,600,283	205,692
Other Financing Sources (Uses)				
Operating transfers in	219,000	219,000	219,000	-
Operating transfers out	(1,204,582)	(1,313,027)	(1,312,591)	436
Total other financing sources (uses)	(985,582)	(1,094,027)	(1,093,591)	436
Net Change in Fund Balance	(405,689)	(863,602)	(627,955)	235,647
Fund Balance - Beginning of year	2,506,646	2,506,646	2,506,646	-
Fund Balance - End of year	<u>\$ 2,100,957</u>	<u>\$ 1,643,044</u>	<u>\$ 1,878,691</u>	<u>\$ 235,647</u>

City of Brighton, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Street Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Revenue				
State-shared	\$ 307,000	\$ 307,000	\$ 303,239	\$ (3,761)
Grants	500,000	500,000	-	(500,000)
Special assessments	169,799	169,799	170,683	884
Fines and penalties	250	250	83	(167)
Licenses and permits	22,169	22,169	22,224	55
Interest	207,587	207,587	235,415	27,828
Other	-	-	35,261	35,261
Total revenue	1,206,805	1,206,805	766,905	(439,900)
Expenditures				
Administration	132,126	132,126	70,082	62,044
Street construction	2,867,000	2,884,100	719,029	2,165,071
Routine maintenance	149,237	132,137	111,677	20,460
Trust maintenance	62,872	94,872	63,190	31,682
Traffic service	125,357	125,357	58,380	66,977
Winter maintenance	87,193	87,193	98,020	(10,827)
Storm water	51,263	46,263	39,539	6,724
Total expenditures	3,475,048	3,502,048	1,159,917	2,342,131
Other Financing Sources (Uses)				
Operating transfers out	(654,586)	(654,586)	(653,396)	1,190
Proceeds from issuance of debt	2,326,000	2,371,000	1,530,950	(840,050)
Total other financing sources (uses)	1,671,414	1,716,414	877,554	(838,860)
Net Change in Fund Balance	(596,829)	(578,829)	484,542	1,063,371
Fund Balance - Beginning of year	1,015,335	1,015,335	1,015,335	-
Fund Balance - End of year	<u>\$ 418,506</u>	<u>\$ 436,506</u>	<u>\$ 1,499,877</u>	<u>\$ 1,063,371</u>

City of Brighton, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds (Continued) Local Street Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Revenue				
State-shared	\$ 100,000	\$ 100,000	\$ 99,316	\$ (684)
Fines and penalties	250	250	83	(167)
Licenses and permits	3,300	3,030	3,080	50
Interest	1,500	1,400	1,417	17
Total revenue	105,050	104,680	103,896	(784)
Expenditures				
Administration	3,650	3,600	3,600	-
Routine maintenance	80,609	80,609	80,609	-
Trust maintenance	9,250	9,250	4,385	4,865
Traffic service	39,861	40,442	32,128	8,314
Winter maintenance	54,432	70,707	70,707	-
Total expenditures	187,802	204,608	191,429	13,179
Other Financing Sources - Operating transfers in	76,750	76,750	76,750	-
Net Change in Fund Balance	(6,002)	(23,178)	(10,783)	12,395
Fund Balance - Beginning of year	50,409	50,409	50,409	-
Fund Balance - End of year	<u>\$ 44,407</u>	<u>\$ 27,231</u>	<u>\$ 39,626</u>	<u>\$ 12,395</u>

City of Brighton, Michigan

Notes to Required Supplemental Information June 30, 2008

Capital Improvement Fund Budget - The Council adopted a budget for the Capital Improvement Fund based on total expenditures. The original and amended budgeted expenditures were \$1,035,741 and \$1,067,972, respectively. Actual expenditures were \$464,837.

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. The City's budget is prepared in compliance with the uniform budgeting provisions of Michigan law.

Expenditures are authorized via an annual budget passed by resolution in which the Council authorizes the level of funding for City operations. The Council adopts an activity level budget which is considered the maximum authorization to incur liabilities and not a mandate to spend. No obligation shall be incurred against, and no payment shall be made from, any appropriation account that lacks a sufficient balance available to meet the obligation.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Budgetary Process - The City's annual budget process for the subsequent year begins soon after the audited annual financial report for the prior year is presented to the City Council. After the audit presentation, the City Council holds an annual fall goal-setting retreat, which results in the establishment of the City's goals and objectives for the following year. Soon after the Council's annual goal-setting retreat, staff prepares a six-year Capital Improvement Program (CIP), which is reviewed by the Planning Commission and adopted by the City Council in February. The first year of the adopted six-year CIP is then considered for inclusion in the next year's requested budget document. In January of each year, staff begins developing the operating budget for the next year. In March of each year, the City manager presents to the City Council the manager's recommended budget for the next year. In April and May of each year, the City Council reviews the manager's recommended budget, makes changes at their discretion, holds a public hearing, and ultimately adopts the City budget for the fiscal year, which begins the next July 1.

Other Supplemental Information

City of Brighton, Michigan

	Nonmajor Special Revenue Funds		Nonmajor Debt Service Funds	
	Principal Shopping District	OPEB Reserve Fund	Street Voted Debt	Street Nonvoted Debt
Assets				
Cash and investments	\$ 95,493	\$ -	\$ -	\$ 300
Receivables - Special assessments	73,329	-	-	-
Total assets	<u>\$ 168,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 2,670	\$ -	\$ -	\$ 300
Deferred revenue	73,329	-	-	-
Total liabilities	75,999	-	-	300
Fund Balances - Unreserved - Reported in				
Designated for subsequent years' expenditures	2,597	-	-	-
Special Revenue Funds	90,226	-	-	-
Total fund balances	<u>92,823</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 168,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended June 30, 2008**

Nonmajor Capital Project Fund - Building Authority	Total Nonmajor Governmental Funds
\$ -	\$ 95,793
<u>-</u>	<u>73,329</u>
<u><u>\$ -</u></u>	<u><u>\$ 169,122</u></u>
\$ -	\$ 2,970
<u>-</u>	<u>73,329</u>
-	76,299
-	2,597
<u>-</u>	<u>90,226</u>
-	92,823
<u><u>\$ -</u></u>	<u><u>\$ 169,122</u></u>

City of Brighton, Michigan

	Nonmajor Special Revenue Funds		Nonmajor Debt Service Funds	
	Principal Shopping District	OPEB Reserve Fund	Street Voted Debt	Street Non-Voted Debt
Revenue				
Special assessment	\$ 75,880	\$ -	\$ -	\$ -
Interest	4,600	12,151	-	-
Contributions from other funds	-	40,498	-	-
Other	1,054	-	-	-
Total revenue	81,534	52,649	-	-
Expenditures - Current				
General government	92,792	402,530	-	-
Debt service	-	-	405,038	669,370
Total expenditures	92,792	402,530	405,038	669,370
Excess of Expenditures Over Revenue	(11,258)	(349,881)	(405,038)	(669,370)
Other Financing Sources	-	104,135	405,038	669,370
Net Change in Fund Balances	(11,258)	(245,746)	-	-
Fund Balances - Beginning of year	104,081	245,746	-	-
Fund Balances - End of year	<u>\$ 92,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2008

Nonmajor Capital Project Fund - Building Authority	Total Nonmajor Governmental Funds
\$ -	\$ 75,880
-	16,751
-	40,498
-	1,054
-	134,183
-	495,322
97,975	1,172,383
97,975	1,667,705
(97,975)	(1,533,522)
97,975	1,276,518
-	(257,004)
-	349,827
<u>\$ -</u>	<u>92,823</u>

Statistical and Continuing Disclosures

City of Brighton, Michigan

Statistical and Continuing Disclosures Financial Trend Information Net Assets by Component Year Ended June 30, 2008

	June 30		
	2006	2007	2008
Governmental Activities			
Invested in capital assets - Net of related debt	\$ 20,408,614	\$ 21,300,214	20,830,130
Restricted	4,753,721	4,052,527	4,245,608
Unrestricted	<u>1,843,363</u>	<u>1,964,532</u>	<u>115,711</u>
Total net assets	27,005,698	27,317,273	25,191,449
Business-type Activities			
Invested in capital assets - Net of related debt	27,426,792	28,592,237	27,838,052
Restricted	-	-	283,961
Unrestricted	<u>3,861,279</u>	<u>1,699,459</u>	<u>1,376,700</u>
Total net assets	<u>31,288,071</u>	<u>30,291,696</u>	<u>29,498,713</u>
Primary Government in Total			
Invested in capital assets - Net of related debt	47,835,406	49,892,451	48,668,182
Restricted	4,753,721	4,052,527	4,529,569
Unrestricted	<u>5,704,642</u>	<u>3,663,991</u>	<u>1,492,411</u>
Total net assets	<u>\$ 58,293,769</u>	<u>\$ 57,608,969</u>	<u>\$ 54,690,162</u>

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

City of Brighton, Michigan

Statistical and Continuing Disclosures Financial Trend Information Changes in Governmental Net Assets Year Ended June 30, 2008

	Fiscal Year Ended June 30		
	2006	2007	2008
Expenses			
General government	\$ 1,929,394	\$ 2,349,855	2,878,690
Public safety	2,123,785	2,153,697	2,519,047
Public services	3,437,104	3,195,010	4,426,522
Community development	584,427	571,655	539,752
Interest on long-term debt	570,384	569,394	588,639
Total governmental activities	8,645,094	8,839,611	10,952,650
Program Revenues			
Charges for services	992,936	896,726	804,901
Operating grants and contributions	413,954	416,732	402,555
Capital grants and contributions	179,208	406,429	-
Total program revenue	1,586,098	1,719,887	1,207,456
Net Expenses	(7,058,996)	(7,119,724)	(9,745,194)
General Revenues			
Property taxes	5,654,956	6,108,946	6,308,624
State-shared revenues	613,149	603,754	624,346
Investment earnings	494,997	545,532	472,416
Other	278,000	185,217	239,642
Loss on disposal of asset	-	(12,150)	(25,658)
Total general revenues	7,041,102	7,431,299	7,619,370
Change in Net Assets	\$ (17,894)	\$ 311,575	\$ (2,125,824)

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Record

City of Brighton, Michigan

Statistical and Continuing Disclosures Financial Trend Information Changes in Business-type Net Assets Year Ended June 30, 2008

	Year Ended June 30		
	2006	2007	2008
Operating Revenue			
Sales	\$ 2,455,922	\$ 2,501,333	2,561,992
Penalties	36,214	36,906	43,906
Tap charges and other	407,793	470,504	476,130
Total operating revenue	2,899,929	3,008,743	3,082,028
Operating Expenses			
Salaries and fringe benefits	1,254,269	1,466,307	1,213,420
Other purchased services	391,987	392,352	222,861
Purchased property services	121,291	129,562	85,976
Professional and technical services	86,569	114,441	46,743
Supplies	110,149	660,374	230,767
Depreciation	1,456,073	1,500,372	1,543,820
Amortization	28,225	27,325	27,964
Property	12,230	75,932	43,687
Utilities	286,684	285,756	291,885
Other	3,670	2,369	2,535
Total operating expenses	3,751,147	4,654,790	3,709,658
Operating Loss	(851,218)	(1,646,047)	(627,630)
Nonoperating Revenue (Expenses)			
Investment income	156,814	78,493	47,909
Interest expense	(614,014)	(581,106)	(570,753)
Loss on disposal of fixed assets	-	(45,765)	-
Total nonoperating expenses	(457,200)	(548,378)	(522,844)
Loss - Before contributions	(1,308,418)	(2,194,425)	(1,150,474)
Contributions	1,467,534	1,198,050	357,491
Change in Net Assets	<u>\$ 159,116</u>	<u>\$ (996,375)</u>	<u>\$ (792,983)</u>

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

City of Brighton, Michigan

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ 2,060
Unreserved	<u>2,322,069</u>	<u>2,538,712</u>	<u>2,007,424</u>	<u>2,174,337</u>
Total General Fund	2,322,069	2,538,712	2,007,424	2,176,397
All Other Governmental Funds				
Reserved	-	-	-	-
Unreserved - Reported in:				
Special Revenue Funds	399,637	494,451	309,907	3,810,887
Capital Project Funds	1,123,957	950,649	440,100	-
Debt Service Funds	<u>-</u>	<u>7,114</u>	<u>-</u>	<u>2,380</u>
Total all other governmental funds	<u>1,523,594</u>	<u>1,452,214</u>	<u>750,007</u>	<u>3,813,267</u>
Total	<u>\$ 3,845,663</u>	<u>\$ 3,990,926</u>	<u>\$ 2,757,431</u>	<u>\$ 5,989,664</u>

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

Statistical and Continuing Disclosures
Financial Trend Information
Fund Balances
Governmental Funds
Year Ended June 30, 2008

2003	2004	2005	2006	2007	2008
\$ 2,082	\$ 329,748	\$ 329,763	\$ 329,777	\$ 390,274	\$ 344,816
<u>1,702,626</u>	<u>1,647,746</u>	<u>1,974,173</u>	<u>2,350,518</u>	<u>2,116,372</u>	<u>1,533,875</u>
1,704,708	1,977,494	2,303,936	2,680,295	2,506,646	1,878,691
-	-	-	-	12,581	981,660
1,110,089	727,868	2,302,809	1,909,744	1,414,990	711,037
-	67,575	1,842,217	234,423	117,423	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,110,089</u>	<u>795,443</u>	<u>4,145,026</u>	<u>2,144,167</u>	<u>1,544,994</u>	<u>1,692,697</u>
<u>\$ 2,814,797</u>	<u>\$ 2,772,937</u>	<u>\$ 6,448,962</u>	<u>\$ 4,824,462</u>	<u>\$ 4,051,640</u>	<u>\$ 3,571,388</u>

City of Brighton, Michigan

	Year Ended			
	1999	2000	2001	2002
Revenue				
Property taxes	\$ 3,776,513	\$ 4,006,713	\$ 4,334,464	\$ 4,645,795
State-shared	1,009,444	1,034,213	1,108,794	1,151,811
Federal grants	24,713	43,217	56,105	406,997
Charges for services	312,255	341,046	201,903	229,908
Special assessment	60,000	60,000	60,000	182,162
Fines and penalties	60,239	71,762	82,249	85,707
Licenses and permits	287,421	409,518	332,080	357,179
Interest	321,655	365,058	352,751	181,986
Contributions from other funds				
Other	185,819	466,460	443,544	360,415
Total revenue	6,038,059	6,797,987	6,971,890	7,601,960
Expenditures				
Current:				
General government	1,022,801	1,228,203	1,549,515	1,338,917
Community development	513,777	674,927	643,497	664,513
Public safety	1,409,594	1,661,139	1,470,982	1,395,203
Public services - Operating	1,531,113	1,540,565	1,502,967	1,815,027
Public services - Capital (streets)	1,327,223	909,472	1,554,436	1,511,099
Capital outlay (exclusive of streets)	627,909	553,149	788,788	680,576
Debt service	661,122	743,201	819,082	910,764
Total expenditures	7,093,539	7,310,656	8,329,267	8,316,099
Excess of Expenditures Over Revenue	(1,055,480)	(512,669)	(1,357,377)	(714,139)
Other Financing Sources (Uses)				
Transfers in	1,830,261	1,542,107	2,316,051	1,841,494
Transfers out	(1,873,274)	(1,629,619)	(2,735,042)	(1,848,643)
Issuance of debt - Net	376,516	745,444	542,873	3,953,521
Total other financing sources	333,503	657,932	123,882	3,946,372
Net Change in Fund Balances	(721,977)	145,263	(1,233,495)	3,232,233
Fund Balances - Beginning of year	4,567,640	3,845,663	3,990,926	2,757,431
Fund Balances - End of year	<u>\$ 3,845,663</u>	<u>\$ 3,990,926</u>	<u>\$ 2,757,431</u>	<u>\$ 5,989,664</u>
Debt Service as a Percentage of Noncapital Expenditures	15%	15%	16%	17%

Statistical and Continuing Disclosures
Financial Trend Information
Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2008

June 30

2003	2004	2005	2006	2007	2008
\$ 4,618,690	\$ 4,946,662	\$ 5,228,267	\$ 5,654,956	\$ 6,108,946	6,308,624
1,083,263	1,063,279	1,043,420	1,027,103	1,020,486	1,026,901
10,000	261,443	3,919	-	-	-
229,526	399,748	220,318	254,030	226,681	102,677
234,987	273,234	231,517	230,836	300,229	246,563
86,141	100,484	290,546	276,500	310,987	337,470
365,657	429,986	521,237	462,406	359,058	329,493
198,184	255,485	322,145	494,997	545,532	472,416
					40,498
<u>302,797</u>	<u>362,361</u>	<u>334,008</u>	<u>278,000</u>	<u>185,217</u>	<u>234,405</u>
7,129,245	8,092,682	8,195,377	8,678,828	9,057,136	9,099,047
1,416,735	1,507,881	1,588,897	1,622,722	2,177,398	2,816,783
532,158	610,250	633,141	580,886	568,114	536,544
1,506,373	1,675,356	1,877,046	1,982,940	2,038,945	2,417,734
1,982,612	2,171,842	2,366,576	2,422,938	2,515,072	2,982,939
3,802,354	1,518,689	856,361	962,532	832,093	719,029
428,562	436,533	885,692	1,917,129	323,716	297,297
<u>1,086,902</u>	<u>1,296,437</u>	<u>1,277,822</u>	<u>1,416,101</u>	<u>1,374,620</u>	<u>1,339,923</u>
<u>10,755,696</u>	<u>9,216,988</u>	<u>9,485,535</u>	<u>10,905,248</u>	<u>9,829,958</u>	<u>11,110,249</u>
(3,626,451)	(1,124,306)	(1,290,158)	(2,226,420)	(772,822)	(2,011,202)
2,860,615	1,929,642	1,431,716	1,573,754	-	1,939,909
(2,106,293)	(1,679,934)	(1,431,716)	(1,573,754)	-	(1,939,909)
<u>-</u>	<u>530,000</u>	<u>4,966,183</u>	<u>601,920</u>	<u>-</u>	<u>1,530,950</u>
<u>754,322</u>	<u>779,708</u>	<u>4,966,183</u>	<u>601,920</u>	<u>-</u>	<u>1,530,950</u>
(2,872,129)	(344,598)	3,676,025	(1,624,500)	(772,822)	(480,252)
<u>5,989,664</u>	<u>3,117,535</u>	<u>2,772,937</u>	<u>6,448,962</u>	<u>4,824,462</u>	<u>4,051,640</u>
<u>\$ 3,117,535</u>	<u>\$ 2,772,937</u>	<u>\$ 6,448,962</u>	<u>\$ 4,824,462</u>	<u>\$ 4,051,640</u>	<u>\$ 3,571,388</u>
20%	22%	20%	21%	19%	15%

(Unaudited)

City of Brighton, Michigan

Ad Valorem Taxable Value by Property Type							
Real Property							
Tax Year	Year Ended June 30	Residential	Commercial	Industrial	Personal Property	Total Taxable Value	City Tax Millage
1998	1999	\$ 112,623,200	\$ 73,906,000	\$ 12,395,400	\$ 23,822,200	\$ 222,746,800	17.7022
1999	2000	125,684,500	79,495,000	13,258,800	25,573,000	244,011,300	17.5783
2000	2001	136,401,100	83,626,800	14,399,700	27,862,700	262,290,300	17.4689
2001	2002	150,972,300	92,092,100	14,448,400	31,058,900	288,571,700	17.1149
2002	2003	163,674,700	102,640,100	14,880,600	29,566,500	310,761,900	15.9864
2003	2004	174,972,500	108,478,900	15,469,300	29,769,800	328,690,500	16.0494
2004	2005	191,737,300	114,550,700	17,609,700	30,625,900	354,523,600	15.9300
2005	2006	207,300,655	123,326,800	18,942,000	36,392,200	385,961,655	15.9418
2006	2007	222,088,140	139,489,820	22,333,650	37,238,103	421,149,713	15.8217
2007	2008	230,789,400	145,831,650	23,163,840	38,970,715	438,755,605	15.8090

Note: Under Michigan law, the revenue base is referred to as “taxable value.” This amount represents assessed value (50 percent of true cash value limited for each property by the lower of 5 percent or inflation).

Taxes levied in a particular “tax year” become revenue of the subsequent fiscal year.

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records.

Statistical and Continuing Disclosures
Revenue Capacity Information
Taxable Value and Actual Value of Taxable Property
Year Ended June 30, 2008

Assessed Value	Estimated Actual Value	Taxable Value as a Percentage of Assessed Value	Taxable Value as a Percentage of Actual	IFT Value	City Levy
\$ 240,722,000	\$ 481,444,000	93	46	\$ 5,034,250	\$ 3,943,108
271,042,700	542,085,400	90	45	6,586,900	4,289,304
292,188,300	584,376,600	90	45	17,501,200	4,581,923
346,948,700	693,897,400	83	42	12,176,700	4,938,876
371,088,100	742,176,200	84	42	12,107,800	4,967,964
396,171,700	792,343,400	83	41	11,967,600	5,275,285
428,528,700	857,057,400	83	41	12,945,700	5,647,561
474,639,350	949,278,700	81	41	14,956,550	6,152,924
515,698,393	1,031,396,786	82	41	21,008,240	6,663,304
519,328,055	1,038,656,110	84	42	19,067,290	6,936,287

City of Brighton, Michigan

Tax Year	Millage Rates - Direct City Taxes				Overlapping	
	Year Ended June 30	City Operating	City Debt	Total Direct City Tax Rates	Livingston County	Brighton District Library
1998	1999	16.2500	1.4522	17.7022	4.7304	1.0638
1999	2000	16.2500	1.3283	17.5783	4.4661	1.0261
2000	2001	16.1192	1.3497	17.4689	4.3787	1.0083
2001	2002	15.8872	1.2277	17.1149	4.2368	0.9915
2002	2003	14.8872	1.0992	15.9864	4.2215	0.9609
2003	2004	14.8872	1.1622	16.0494	4.1454	0.9442
2004	2005	14.8872	1.0428	15.9300	3.9168	0.9059
2005	2006	14.8872	1.0546	15.9418	3.9020	0.8878
2006	2007	14.8872	0.9345	15.8217	3.8842	0.7072
2007	2008	14.8872	0.9218	15.8090	3.8842	1.0392

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

Statistical and Continuing Disclosures
Revenue Capacity Information
Direct and Overlapping Property Tax Rates
Year Ended June 30, 2008

Taxes					Total Tax Rate	
Brighton Area Fire Authority	State Education Tax	Livingston Educational Service Agency	Brighton Area Schools - Homestead	Brighton Area Schools - Non- homestead	Homestead	Non- homestead
-	6.0000	2.6192	6.6400	17.6027	38.7556	56.3583
-	6.0000	2.5714	6.6275	18.0000	38.2694	56.2694
-	6.0000	2.5213	6.6140	18.0000	37.9912	55.9912
1.0000	6.0000	2.4788	6.6016	18.0000	38.4236	56.4236
0.9906	6.0000	2.4484	6.5947	18.0000	37.2025	55.2025
0.9763	5.0000	2.4088	6.5827	18.0000	36.1068	54.1068
0.9612	6.0000	2.3824	6.1310	18.0000	36.2273	54.2273
0.9532	6.0000	2.3507	6.1203	18.0000	36.1558	54.1558
1.2500	6.0000	2.3361	6.1184	18.0000	36.1176	54.1176
1.2500	6.0000	2.3361	6.1184	18.0000	36.4369	54.4369

City of Brighton, Michigan

Statistical and Continuing Disclosures Revenue Capacity Information Principal Property Taxpayers Year Ended June 30, 2008

Taxpayer	2007	Percentage of Total	1998	Percentage of Total	1998 Rank
	Ad Valorem Taxable Value		Ad Valorem Taxable Value		
1 Brighton Mall Associates	\$ 8,205,260	0.02	\$ 4,766,700	0.02	1
2 Brighton Holdings LLC	7,019,650	0.02	*	*	*
3 Ventas Brighton, LLC	5,849,380	0.01	*	*	*
4 Meijer Thrifty - Brighton	5,181,700	0.01	4,441,200	0.02	2
5 MJR Group LLC	5,016,510	0.01	*	*	*
6 Brighton Hotel Suites, Inc.	4,810,880	0.01	*	*	*
7 TG Fluid Systems USA Corp.	4,485,520	0.01	*	*	*
8 Brighton Commercial LLC	4,280,870	0.01	*	*	*
9 Eberspaecher North America, Inc.	4,127,900	0.01	*	*	*
10 Target Corporation	3,947,120	0.01	3,241,900	0.01	3
Total taxable value	\$ 438,755,605		\$ 222,746,800		

* Not available

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

City of Brighton, Michigan

Statistical and Continuing Disclosures Revenue Capacity Information Property Tax Levies and Collections Year Ended June 30, 2008

Tax Year	Year Ended June 30	Total Ad Valorem Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Percent of Levy Collected
1998	1999	\$ 3,943,108	\$ 3,880,807	98.42	\$ 47,894	\$ 3,928,701	99.63
1999	2000	4,289,304	4,224,106	98.48	46,554	4,270,660	99.57
2000	2001	4,581,923	4,509,987	98.43	51,893	4,561,880	99.56
2001	2002	4,938,876	4,847,013	98.14	82,157	4,929,170	99.80
2002	2003	4,967,964	4,868,108	97.99	74,980	4,943,088	99.50
2003	2004	5,275,285	5,169,780	98.00	91,371	5,261,151	99.73
2004	2005	5,647,561	5,531,786	97.95	83,912	5,615,698	99.44
2005	2006	6,152,924	6,023,669	97.90	111,197	6,134,866	99.71
2006	2007	6,663,304	6,452,094	96.83	198,070	6,650,164	99.80
2007	2008	6,936,287	6,625,497	95.52	286,897	6,912,394	99.66

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

City of Brighton, Michigan

	1999	2000	2001	2002
Governmental Activities				
General obligation bonds	\$ 5,496,044	\$ 5,562,228	\$ 5,273,264	\$ 5,395,000
Installment purchase agreements	429,445	727,902	1,140,651	917,601
Special assessment bonds	585,000	525,000	465,000	3,975,000
Total	6,510,489	6,815,130	6,878,915	10,287,601
Business-type Activities				
General obligation bonds	5,705,045	6,417,222	5,902,400	5,317,576
Special assessment bonds	455,000	420,000	385,000	350,000
Revenue bonds	-	-	8,950,000	8,950,000
Total	6,160,045	6,837,222	15,237,400	14,617,576
Total Debt of the Primary Government	12,670,534	13,652,352	22,116,315	24,905,177
Total Taxable Value	222,746,800	244,011,300	262,290,300	288,571,700
Ratio of Total Debt to Taxable Value	5.69%	5.59%	8.43%	8.63%
Total Population	6,550	6,701	6,800	6,900
Total Debt per Capita	\$ 1,934	\$ 2,037	\$ 3,252	\$ 3,609

Note: Does not include outstanding debt of the City's component units

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

**Statistical and Continuing Disclosures
Debt Capacity Information
Ratios of Outstanding Debt
Year Ended June 30, 2008**

2003	2004	2005	2006	2007	2008
\$ 5,105,000	\$ 5,285,000	\$ 9,865,000	\$ 10,048,000	\$ 9,544,000	\$ 10,545,950
678,073	427,069	248,239	60,798	-	-
<u>3,890,000</u>	<u>3,660,000</u>	<u>3,425,000</u>	<u>3,190,000</u>	<u>2,960,000</u>	<u>2,730,000</u>
9,673,073	9,372,069	13,538,239	13,298,798	12,504,000	13,275,950
4,717,753	4,082,930	3,941,994	3,251,200	2,903,000	3,313,850
315,000	280,000	245,000	210,000	175,000	140,000
<u>8,950,000</u>	<u>10,084,406</u>	<u>9,824,406</u>	<u>9,743,080</u>	<u>9,378,080</u>	<u>8,963,080</u>
<u>13,982,753</u>	<u>14,447,336</u>	<u>14,011,400</u>	<u>13,204,280</u>	<u>12,456,080</u>	<u>12,416,930</u>
23,655,826	23,819,405	27,549,639	26,503,078	24,960,080	25,692,880
310,761,900	328,690,500	354,523,600	385,961,655	421,149,713	438,755,605
7.61%	7.25%	7.77%	6.87%	5.93%	5.86%
7,100	7,173	7,182	7,263	7,517	7,268
\$ 3,332	\$ 3,321	\$ 3,836	\$ 3,649	\$ 3,320	\$ 3,535

City of Brighton, Michigan

Statistical and Continuing Disclosures Debt Capacity Information Ratios of General Bonded Debt Outstanding Year Ended June 30, 2008

Fiscal Year	Tax Limited General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)	Other General Obligation Debt	Total General Bonded Debt	Taxable Value	Debt as a Percentage of Taxable Value	Population	Debt per Capita
1999	\$ 1,621,044	\$ 3,875,000	\$ 429,445	\$ 5,925,489	\$ 222,746,800	2.66	6,550	\$ 905
2000	1,812,228	3,750,000	727,902	6,290,130	244,011,300	2.58	6,701	939
2001	1,698,264	3,575,000	1,140,651	6,413,915	262,290,300	2.45	6,800	943
2002	1,995,000	3,400,000	917,601	6,312,601	288,571,700	2.19	6,900	915
2003	1,880,000	3,225,000	678,073	5,783,073	310,761,900	1.86	7,100	815
2004	2,285,000	3,000,000	427,069	5,712,069	328,690,500	1.74	7,173	796
2005	7,090,000	2,775,000	248,239	10,113,239	354,523,600	2.85	7,182	1,408
2006	7,548,000	2,500,000	60,798	10,108,798	385,961,655	2.62	7,263	1,392
2007	7,319,000	2,225,000	-	9,544,000	421,149,713	2.27	7,517	1,270
2008	8,620,950	1,925,000	-	10,545,950	438,755,605	2.40	7,268	1,451

Note: Does not include outstanding debt of the City's business-type activities or component units

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

City of Brighton, Michigan

Statistical and Continuing Disclosures Debt Capacity Information Direct and Overlapping Governmental Activities Debt Year Ended June 30, 2008

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
Brighton Area School District	\$ 56,705,000	18.90	10,717,245
Livingston Educational Service Agency	2,420,000	5.66	136,972
Livingston County	17,833,789	4.99	889,906
Brighton Area District Library	3,005,000	19.96	599,798
Total overlapping debt	79,963,789		12,343,921
Direct net city debt	15,180,000	100.00	15,180,000
Total direct and overlapping debt	<u>\$ 95,143,789</u>		<u>\$ 27,523,921</u>

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

City of Brighton, Michigan

	1999	2000	2001	2002
Calculation of Debt Limit				
State Equalized Valuation:				
Ad Valorem	\$ 240,722,000	\$ 271,042,700	\$ 292,188,300	\$ 346,948,700
IFT	<u>5,034,250</u>	<u>6,586,900</u>	<u>17,501,200</u>	<u>12,176,700</u>
Total valuation	245,756,250	277,629,600	309,689,500	359,125,400
Debt Limit (10 percent of taxable value)	24,575,625	27,762,960	30,968,950	35,912,540
Calculation of Debt Subject to Limit				
Total debt*	14,275,644	14,910,831	22,883,464	26,327,576
Less debt not subject to limit:				
Special assessment bonds	1,040,000	945,000	850,000	4,325,000
MTF bonds	425,000	685,000	610,000	535,000
Revenue bonds	-	-	8,950,000	8,950,000
Share of County-issued bonds	<u>3,520,644</u>	<u>4,465,861</u>	<u>4,203,464</u>	<u>3,887,576</u>
Net debt subject to limit	<u>9,290,000</u>	<u>8,814,970</u>	<u>8,270,000</u>	<u>8,630,000</u>
Legal Debt Margin	<u>\$ 15,285,625</u>	<u>\$ 18,947,990</u>	<u>\$ 22,698,950</u>	<u>\$ 27,282,540</u>
Net Debt Subject to Limit as Percentage of Debt Limit	37.80%	31.75%	26.70%	24.03%

* Does not include installment loans

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records.

Statistical and Continuing Disclosures
Debt Capacity Information
Legal Debt Margin
Year Ended June 30, 2008

2003	2004	2005	2006	2007	2008
\$ 371,088,100	\$ 396,171,700	\$ 428,528,700	\$ 474,639,350	\$ 515,698,393	\$ 501,131,290
<u>12,107,800</u>	<u>11,967,600</u>	<u>12,945,700</u>	<u>14,956,550</u>	<u>21,008,240</u>	<u>15,306,400</u>
383,195,900	408,139,300	441,474,400	489,595,900	536,706,633	516,437,690
38,319,590	40,813,930	44,147,440	48,959,590	53,670,663	51,643,769
28,217,753	28,638,600	31,996,400	30,822,280	29,020,080	29,382,880
4,205,000	3,940,000	3,670,000	3,400,000	3,135,000	2,870,000
455,000	365,000	270,000	245,000	220,000	195,000
8,950,000	10,084,406	10,060,000	9,743,080	9,378,080	8,963,080
<u>3,622,753</u>	<u>3,393,600</u>	<u>3,131,400</u>	<u>2,844,200</u>	<u>2,507,000</u>	<u>2,174,800</u>
<u>10,985,000</u>	<u>10,855,594</u>	<u>14,865,000</u>	<u>14,590,000</u>	<u>13,780,000</u>	<u>15,180,000</u>
<u>\$ 27,334,590</u>	<u>\$ 29,958,336</u>	<u>\$ 29,282,440</u>	<u>\$ 34,369,590</u>	<u>\$ 39,890,663</u>	<u>\$ 36,463,769</u>
28.67%	26.60%	33.67%	29.80%	25.68%	29.39%

City of Brighton, Michigan

Water and Sewer Revenue Bonds						
Fiscal Year	Gross Revenue	Applicable Expenses	Net Revenue	Debt Service		Coverage*
				Principal	Interest	
1999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2000	-	-	-	-	-	-
2001	-	-	-	-	-	-
2002	2,644,179	1,718,945	925,234	-	452,951	472,283
2003	2,712,858	2,025,493	687,365	-	415,975	271,390
2004	2,658,277	2,250,106	408,171	150,000	413,350	(155,179)
2005	2,778,197	2,352,594	425,603	250,000	449,075	(273,472)
2006	3,056,743	2,266,849	789,894	315,000	424,003	50,891
2007	3,087,236	3,127,093	(39,857)	365,000	415,951	(820,808)
2008	3,129,937	2,137,874	992,063	415,000	401,719	175,344

* Shortfalls in revenue coverage have been subsidized by capital contributions from connection fees.

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

**Statistical and Continuing Disclosures
Debt Capacity Information
Pledged-revenue Coverage
Year Ended June 30, 2008**

Special Assessment Bonds				
Special Assessment Collections		Debt Service		
		Principal	Interest	Coverage
\$	176,427	\$ 95,000	\$ 60,623	\$ 20,804
	153,399	95,000	54,878	3,521
	147,515	95,000	49,233	3,282
	138,747	95,000	43,538	209
	345,090	120,000	177,804	47,286
	471,481	265,000	181,334	25,147
	450,377	270,000	170,768	9,609
	446,248	270,000	159,654	16,594
	426,098	265,000	148,660	12,438
	358,316	265,000	137,453	(44,137)

City of Brighton, Michigan

Statistical and Continuing Disclosures Demographic and Economic Information Demographic and Economic Statistics Year Ended June 30, 2008

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (in Thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemploy- ment Rate (Percent)</u>
1998	6,425	\$ 35,551	*	2.00
1999	6,550	35,551	*	1.80
2000	6,701	47,897	\$ 21,007	1.80
2001	6,800	47,897	21,007	2.71
2002	6,900	47,897	22,487	4.10
2003	7,100	47,897	22,487	3.90
2004	7,173	47,897	22,808	3.60
2005	7,182	47,897	22,917	*
2006	7,263	47,897	23,251	*
2007	7,483	47,897	23,364	*
2008	7,268	47,897	23,595	*

* Not available/no longer available

Note: Personal income is equal to the median household income and only available per the decennial census data.

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

City of Brighton, Michigan

Statistical and Continuing Disclosures Demographic and Economic Information Principal Employers Year Ended June 30, 2008

Taxpayer	2008 Employees	Percentage of Total	1999 Employees	Percentage of Total	1999 Rank
1 Brighton Area Schools	860	9.56%	821	10.36%	1
2 Meijer	310	3.44%	673	8.49%	2
3 Target	275	3.06%	196	2.47%	6
4 TG Fluid Systems	267	2.97%	*	- %	-
5 Eberspaecher	217	2.41%	*	- %	-
6 VG's	153	1.70%	*	- %	-
7 Home Depot	150	1.67%	233	2.94%	4
8 Work Skills Corporation	150	1.67%	*	- %	-
9 Ontegra Brighton	135	1.50%	370	4.67%	3
10 Brighton Post Office	85	0.94%	*	- %	-
Total	<u>2,602</u>	<u>28.92%</u>	<u>2,293</u>	<u>28.93%</u>	
Estimated total city employment	9,000		7,925		

* Not available

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

City of Brighton, Michigan

Function/Program	1999	2000	2001	2002	2003
General government:					
City manager	1.00	1.00	1.00	1.00	1.00
City clerk/Human resources	2.35	2.35	2.35	2.35	2.35
Finance	<u>5.00</u>	<u>6.25</u>	<u>5.00</u>	<u>6.25</u>	<u>6.39</u>
Total general government	8.35	9.60	8.35	9.60	9.74
Community development	6.00	6.00	6.00	7.00	6.00
Public safety (police)	16.20	16.20	16.20	17.60	18.60
Public services:					
Cemetery	2.00	2.00	2.00	2.00	2.00
Facilities and grounds	-	-	-	-	2.00
Streets	6.00	7.00	8.00	9.00	9.00
Utilities	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>	<u>9.00</u>
Total public services	<u>16.00</u>	<u>17.00</u>	<u>18.00</u>	<u>19.00</u>	<u>22.00</u>
Total	<u>46.55</u>	<u>48.80</u>	<u>48.55</u>	<u>53.20</u>	<u>56.34</u>

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

**Statistical and Continuing Disclosures
Operating Information
Full-time Equivalent Government Employees
Year Ended June 30, 2008**

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1.00	1.00	1.00	1.00	1.50
2.35	2.35	2.35	2.63	3.13
<u>6.39</u>	<u>6.39</u>	<u>8.39</u>	<u>9.00</u>	<u>9.25</u>
9.74	9.74	11.74	12.63	13.88
6.00	6.00	5.00	5.63	5.00
18.60	18.60	18.60	18.60	20.60
2.00	2.00	2.00	2.00	2.00
2.00	2.00	3.00	3.00	3.00
9.00	9.00	8.00	8.00	8.00
<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>
<u>22.00</u>	<u>22.00</u>	<u>22.00</u>	<u>22.00</u>	<u>22.00</u>
<u>56.34</u>	<u>56.34</u>	<u>57.34</u>	<u>58.86</u>	<u>61.48</u>

City of Brighton, Michigan

Function/Program	1999	2000	2001	2002
Election data:				
Registered voters	4,406	4,776	4,990	5,003
Voters (at the polls or absentee)	*	*	3,274	373
Percent voting	*	*	65.61%	7.46%
Human resource data - Number of recruitments	12	11	20	17
Finance data:				
Number of A/P checks	3,120	2,948	2,721	2,806
Number of property tax parcels	3,549	3,591	3,658	3,724
Number of utility bill customers	*	*	*	3,073
Police:				
Physical arrests	1,105	950	1,159	1,135
Traffic violations	3,162	2,837	3,129	3,348
Investigations	6,906	6,901	8,245	8,744
Community development data:				
Number of building permits	329	307	348	326
Value of building permits	\$ 30,177,435	\$ 14,365,383	\$ 19,376,387	\$ 27,560,351
Number of building inspections	1,070	1,370	1,287	1,189
Public works data:				
Miles of street constructed, reconstructed, and resurfaced	4.30	2.60	5.47	5.32
Road salt used (tons)	899	998	1,000	1,100
R.O.W. tree plantings	140	150	235	50
Grave openings	55	62	64	46
Water data:				
Total billed consumption (000s)	*	*	391,693	457,908
Avg. billed consump./user (000s)	*	*	*	149
Number of water main breaks	2	1	1	-
Sewer data - Avg. daily treatment (MGD)	1.198	1.110	1.120	1.224

* Not available

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

Statistical and Continuing Disclosures
Operating Information
Operating Indicators
Year Ended June 30, 2008

2003	2004	2005	2006	2007	2008
5,065	5,039	5,333	5,380	5,443	5,406
2,645	388	4,018	992	3,239	2,307
52.22%	7.70%	75.34%	18.44%	59.51%	42.67%
16	17	16	17	12	12
2,854	2,884	2,915	2,831	2,330	2,181
3,869	3,863	3,949	4,093	4,107	4,093
3,168	3,248	3,218	3,318	3,376	3,508
1,102	901	1,113	1,028	1,341	1,031
3,406	3,248	4,234	3,912	3,637	5,160
8,306	9,363	11,722	10,382	12,073	11,986
342	362	352	386	326	311
\$ 30,976,003	\$ 36,151,757	\$ 23,223,783	\$ 14,315,439	\$ 15,753,583	\$ 8,003,905
1,274	785	1,073	1,083	789	793
5.35	1.32	0.67	0.75	1.00	1.25
650	950	1,100	1,550	1,250	1,250
40	-	80	54	-	20
53	49	94	60	41	64
462,355	463,403	467,964	508,125	485,455	495,863
159	148	141	152	144	141
1	1	2	2	3	1
1.207	1.172	1.368	1.360	1.200	1.300

City of Brighton, Michigan

Function/Program	1999	2000	2001	2002	2003
Police - Patrol units	8	8	8	8	9
Public works:					
Streets (miles):					
Major streets	10.40	10.40	10.40	11.32	11.32
Local streets	13.10	13.10	13.10	13.10	13.10
Sidewalks	*	*	*	*	*
Traffic signals	*	*	*	*	*
Water:					
Mains (miles)	*	*	*	*	*
Fire hydrants	*	*	*	*	*
Storage capacity	1,137,000,000	1,137,000,000	1,137,000,000	1,137,000,000	1,137,000,000
Sewer:					
Miles of sanitary sewers	*	*	*	*	*
Miles of storm sewers	*	*	*	*	*
Treatment capacity	1,500,000,000	1,500,000,000	1,500,000,000	1,500,000,000	2,250,000,000

* Not available

Source: Audited Financial Statements of the City of Brighton and/or City Finance Department Records

**Statistical and Continuing Disclosures
Operating Information
Capital Asset Statistics
Year Ended June 30, 2008**

2004	2005	2006	2007	2008
10	10	10	12	8
11.32	11.32	11.32	11.32	11.32
13.10	14.99	14.99	15.99	14.99
*	*	*	80	80
*	*	*	9	9
*	50	52	52	52
*	*	572	481	484
1,137,000,000	1,620,000,000	1,620,000,000	1,620,000,000	1,620,000,000.00
*	45	45	45	45
*	*	*	27	27
2,250,000,000	2,250,000,000	2,250,000,000	2,250,000	2,250,000,000.00